

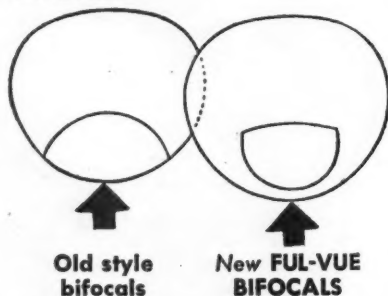
To eyes that are FORTY YEARS OLD



Things don't "JUMP" WITH FUL-VUE BIFOCALS

THAT disconcerting blurring or movement of an object just as you reach for it—has been eliminated. You can now enjoy the big help of bifocals without confusion or annoyance.

You can identify the perfected Ful-Vue Bifocal by the shape of the small inset lens, shown below.



Because of the greater width at top of this near vision segment, the eye finds the fullest width of reading vision instantly, without head movement.

Tremendous strides have been made in recent years in the science of helping eyesight. The practice of this science demands years of training and experience, plus costly modern equipment. The rightness of your glasses depends on careful and scientific examination, selection based on intelligent study of the lines and contours of your face, and the most skillful and thorough fitting.

So don't just buy glasses at a price—don't be satisfied with hurried and inexperienced service—seek the very best service available in your community.

A booklet we have prepared, "What You Should Know About Your Glasses," might help you a lot—and costs nothing. Please use the coupon.

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Dept. R-6, Southbridge, Mass.
Without charge or obligation, please send me the
booklet, "What You Should Know About Your
Glasses."

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Address _____

City _____ State _____

The name of the man who fits my glasses is _____

Volume LXXXVI

Number Three

REVIEW OF REVIEWS AND WORLD'S WORK

Edited by ALBERT SHAW

The Progress of the World

Why Are Republicans and Democrats? 9 . . . When "T. R." Took His Party Stand, 10 . . . Hoover Plays Always the Decent Game, 12 . . . His Speech of Acceptance, 13 . . . The Story of Emergency Policies, 14 . . . Expounding and Endorsing the Platform, 15 . . . The President Considers Prohibition, 16 . . . Rival Platforms on Repeal, 17 . . . The Bonus Army Evaporates, 18 . . . At Ottawa and Geneva, 19.

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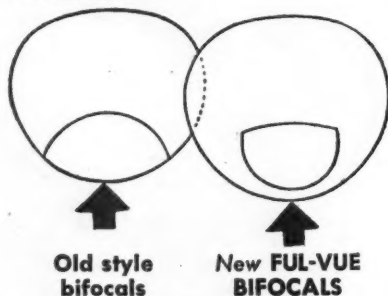
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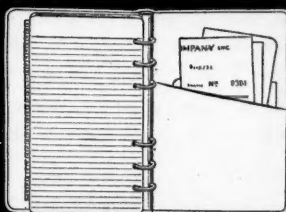


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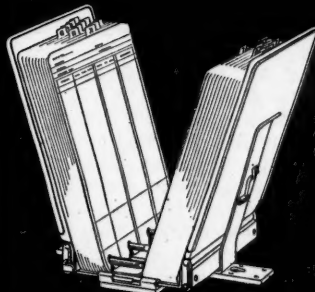
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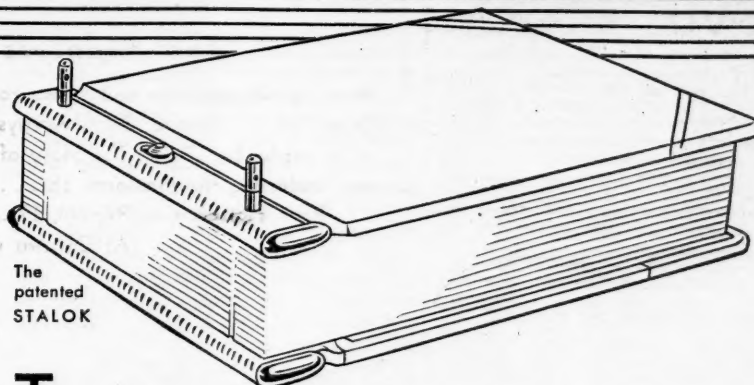
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It is seldom that anyone becomes a writer until he (or she) has been writing for some time. That is why so many authors and writers spring up out of the newspaper business. The day-to-day necessity of writing—of gathering material about which to write—develops their talent, their insight, their background and their confidence as nothing else could.

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THE WORLD OF BOOKS

Recommended Reading

New Politics

Smash the Political Machine, by Harold Rowntree and Beatrice McCree. Brentano's, 236 pp. \$2.

The Coming of a New Party, by Paul H. Douglas. Whittlesey House, 236 pp. \$2.

THESE TWO BOOKS make stimulating reading in a presidential year. The premise of both is that our political structure is sadly in need of repair, and that intelligence is needed to engineer the work. Their objects, a truly representative government, are identical; but they differ in their methods of attaining that end. The first has faith in the Independent voter; the second, a new party.

Most of our domestic troubles, say the authors of "Smash the Political Machine", are due to the fact that the government does not "automatically and promptly reflect the public opinion of the day in all that it does." They feel the fault lies not in the structure of government, but in the fact that the voters have allowed a "machine" to dictate its functions. The cure rests with the independent voters, assumed by the authors to be numerous enough to swing any election. Their course is to forget parties and platforms, and vote for the "candidate whose own personal attributes most nearly approximate those of the ideal public official."

Professor Douglas' thesis is that our two major parties are unable to serve the social needs of the largest portion of the population. He would discard the Democratic organization—for which "there is no logical place in American life." The Republican party has a place—"it represents the conservative element and the propertied classes"—and would remain. His proposed new party, replacing the Democratic, would be based on the farmer-labor groups and would give a genuine berth to all liberals. He believes that unless the liberals organize to help the masses, "the future will . . . belong to the Mussolinis, the Lenins, or to the plutocracy."

Changes Ahead

The Great Depression and Beyond, by Lloyd M. Graves. Brookmire Economic Service, 192 pp. \$2.

BACK IN THE lush years of '28 and '29, Lloyd M. Graves was one of the few who dared raise his voice in the wilderness of prosperity and warn America that difficulty lay ahead. Then he was disregarded; today it might be wise to hear what he has to say of the future. Actually his book deals less with the future than with the immediate past.

Able he analyzes the liquidation of values, the collapse of world credit, depressions in general and our own in particular; but his words of the future, because he prophesized correctly once, interest us more.

For America he sees an economic dictatorship in place of a democratic government. Control of major industries, such as the railroads, is liable to fall into the hands of the Government. More and more, instead of the much heralded back-to-the-land movement, the population will be divorced from the soil. Capitalism will be gradually abandoned; a truly permanent restoration of the world gold standard is likely to prove impossible. Social planning—in the purest sense—cannot work because the social body is not intelligent enough to manage its own affairs; but planning will be done by intelligent dictatorships. To these things, the author feels, we will gradually draw near.

To any one who feels that change, however gradual, is undesirable, Mr. Graves' book will be unwelcome. The author himself dislikes the message written on the wall. He has translated it only because he believes it is accurate. His book will undoubtedly have a wide reading.

American Finance

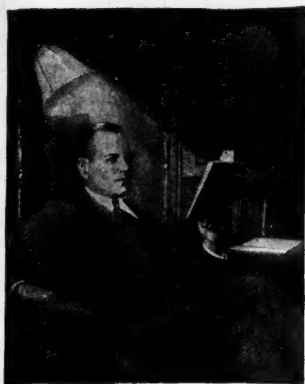
Leaders and Periods of American Finance, by Theodore Grayson. John Wiley & Sons, 566 pp. \$4.

BY WRITING ABOUT the lives of America's financial leaders, from Robert Morris to Elbert H. Gary, Mr. Grayson has given a rounded picture of American financial history, and produced a book more interesting to the layman than could possibly have resulted from the conventional treatment by periods.

Chapters are devoted to Robert Morris, the financier of the Revolution; to Alexander Hamilton, who led the post-Revolution financial reconstruction; and to Albert Gallatin, responsible for reductions in the tremendous national debt and for the provisions made to finance the War of 1812. The biographies of these three men give an unusual picture of our early financial development.

In the modern period, Grover Cleveland, Andrew Carnegie, Cornelius Vanderbilt, E. H. Harriman, and J. Pierpont Morgan the elder are among the chief money giants treated. The author's story of their lives conveys a fine interpretation of the overlapping epochs which they dominated. All in all, this book is highly enjoyable as a running account of one of America's most important phases of development.

(Continued on page 6)



WILL YOU TRADE

one year's leisure time

for

success ten years earlier?



FASTER, faster, the years speed by—yet your work drags along, and your goal seems still so far distant that despair grips your heart.

You ask yourself—"Will I ever get there? Or will I get there *too late*?" And you see yourself finally winning success and financial independence, an old man trying to enjoy the rewards which only the younger man can fully appreciate.

You know what the next ten years are likely to be—barren years—drudgery years, wrongly called *experience years*! Instead of sacrificing your best years, why not face the facts courageously?

Business demands—and pays—trained men. But business leaves it up to you whether you prepare yourself through long routine, or short cut with specialized training.

You can actually "trade" a year's spare-time study for ten years of routine experience—get at home in your leisure time the experience-knowledge that most men spend years of labor to get—the trained ability that business wants and pays for handsomely. This is no idle statement, but a fact—established by over 50,000 records in our files. Let us consider a few of these—

In 1924 a Bookkeeper— In 1927, Vice-President

Mr. A—of Indiana was marking time in a bookkeeper's job back in 1924—after a fine war service and various attempts to find himself in farming, in managing a truck line, and in other jobs. With his enrollment in LaSalle came the change upward.

First he became office manager of a cannery firm, then entered the automobile field, and in 1927 became vice-

president of one of the large automobile sales agencies of the Middle West. He says, "Spare time invested in study with LaSalle pays compound interest."

Will your next five years find you moving up as Mr. A—did—or will you sacrifice them on the altar of "Experience"?

In 1918 a Rate Clerk— In 1923, Head of Own Traffic Bureau

After a few years in a little Indiana school, Mr. P—learned telegraphy and went on from that through a number of railroad jobs. In 1918, and already over 40, he had progressed only as far as a rate clerk's job in an automobile plant. Then he learned about LaSalle training in Traffic Management and his real success began. In five years he established his own Traffic Bureau and has made an outstanding success of it. Today he is a registered Practitioner before the Interstate Commerce Commission and a charter member of the Association of I. C. C. Practitioners. And he writes, "LaSalle training pays."

Are you thinking about—hoping for—a business of your own? LaSalle training can prepare you for it faster than you can prepare in any other way.

Experience Got Him Nowhere— Training Solved His Problem

If day by day experience were enough for success, Mr. B—of Texas should have been a world beater. For after high school and part of a university course, he had been in the Navy, in a bank, in a department store, and in a wholesale grocery—and in each had made a good record. But when he substituted specialized training in Accountancy and

Law, he moved up fast. Today, he is a member of the Bar and is serving as counsel for a number of Texas corporations. In telling of it, he adds, "I know that without the help of LaSalle, I would not have made it to my present point."

Have you ambitions outside your present field of work? Why not prepare yourself now—in time that you would otherwise probably waste—so you can enter your chosen field without needing the "experience" years.

Where Will 1936 Find YOU?

Five, ten years from now—will you be holding a responsible position or will you still be gathering "experience"? Your ambitions and ability—will they be earning their full worth, or will they be dissipated—and finally lost—in the endless routine work mistakenly called experience?

The choice is yours. The decision rests in your hands—*this very instant*. What are you going to do about it?

Take the old-traveled road of experience, if you wish. It has led you a merry goose chase so far, but it may turn out all right. We hope it will—

—but we know—through the records of some 730,000 men—that long before you reach the end of the long road of experience, some other man will take the "short cut" of specialized training and beat you to your goal!

Before you make a decision we want you to read "Ten Years' Promotion in One," that famous LaSalle booklet which has saved its readers actually millions of useless years. This valuable booklet will be sent you FREE, and under no obligation except that you read it.

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At least, that's what it is in some dictionaries. Contrast these words which require further search, wasting precious minutes, with this clear, usable and authoritative definition, complete in one reference:

PELICAN—Any of certain large water birds (genus *Pelecanus*) with webfeet and a huge bill, the lower part of which has a large pouch for storing food.

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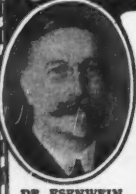
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The World of Books

(Continued from page 4)

Briefer Comment

• • AS A SOLUTION for sick agriculture, O. M. Kile, in "The New Agriculture," recommends large scale operations to insure lower costs and satisfactory profits. (Macmillan, \$2.)

• • HORATIO S. RUBENS, an American, was a leading spirit in the formation of the Cuban republic, more than thirty years ago. "Liberty" (Brewer, Warren & Putnam, \$2.50) is his story of the Spanish-American War in Cuba, and of the movement for independence.

• • IT IS NOT right for able-bodied veterans and their family connections to receive unnecessary help at the expense of needy non-veteran tax payers, says Roger Burlingame. "Peace Veterans" is an analysis of what the author, himself a veteran, believes is a racket; and a plea for economy. (Minton, Balch, \$1.)

• • NO HURRIEDLY-GATHERED book is Joseph Freeman's "The Soviet Worker" (Liveright, \$2.50). Mr. Freeman treats all phases of Russian labor exhaustively. His chapter on forced and convict labor will interest Americans especially, as he finds that in many places the labor turnover is as high as 150 per cent. a year—a fact that completely refutes tales of forced labor during the Five Year Plan.

• • "THE PURCHASE of the Danish West Indies" is one of a series—the Albert Shaw Lectures on Diplomatic History. It is issued under the auspices of the Walter Hines Page School of International Relations, Johns Hopkins University. Charles Callan Tansill has here done a valuable piece of research, dating back to Secretary Seward and 1865. The islands became American in 1917, lest they "go" U-boat. The Shaw lecture series dates back to 1899, when it was founded by the editor of THE REVIEW OF REVIEWS. (John Hopkins Press, \$3.50.)

• • THE DEMOCRATIC nominee for President has put into book form—"Government, Not Politics"—various magazine articles in which he has dealt with such subjects as taxes, public utilities, and tariffs. (Covici, Friede, \$1.)

• • WITH THE air of a scientist considering an experiment, Julian Huxley has made "A Scientist Among the Soviets" a record of what he saw when he visited Russia a year ago. He is more than favorably impressed with the experiment's progress. (Harpers', \$1.50.)

• • "THE CRISIS in the World's Monetary System," by Gustav Cassel (Oxford, \$1.25), discusses the changes in the nature of the gold standard, the monetary crisis, and the gold standard's breakdown.

• • FURTHER publications resulting from the White House Conference on



WHY

Doesn't He Act That Way AT HOME?

THERE is a long list of "niceties" we want our children to learn. But how go about it? The nursery school is pioneering a new way. But these same methods may be used in the home. Read in the September HYGEIA the personal experience of a mother with the nursery school, as told by Elizabeth S. Ferguson—how she developed an understanding attitude toward Junior's galoshes on the wrong feet, how they reached an agreement concerning his "dawdling" over meals and even his marking on the wall paper. The reason your youngster "doesn't act that way at home" may be revealed to you in this article. It will prove a godsend to many puzzled parents.

Also in the SEPTEMBER Issue

Other worthwhile articles dealing with the parent and child include "Guarding against Tuberculosis," "Give Your Child an Attractive Speaking Voice," and "The Value of Early Periodic Health Examinations of the Child."

But the September HYGEIA is of general interest to all. There is an article on "The Microscope," one of a series on "How Science Solves Crime," "Lincoln and the Doctors" is a serial showing how the health of the Great Emancipator influenced his life and character. "Fruits" is part of a series on "Foods—Their Selection and Preparation," which will appeal to the housewife. In fact, there is something vitally worthwhile for every member of the family, for every individual, in the September HYGEIA.

Each month HYGEIA will bring into your home authentic information on health problems. It is published by the American Medical Association. Its articles are written by experts in their various fields. But the language is simple and non-technical.

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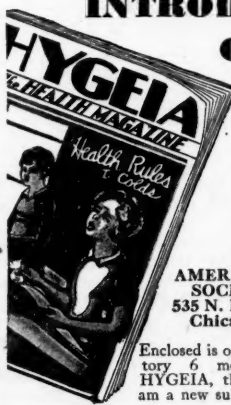
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Child Health and Protection include "The Delinquent Child," "Appraisalment of the Child," "Nutrition," "Organization for the Care of Handicapped Children," "Special Education," "Education for Home and Family Life," and "Child Labor." (Century.)

• • JOSEPH HERGSHEIMER has pictured current conditions in Berlin, Munich, Vienna, and Budapest with the psychological insight of an artist, in "Berlin" (Knopf, \$2.50). Here is an invaluable index to social conditions in hard-pressed Mitteleuropa.

• • ERICH DWINGER, in "Between White and Red," tells the story of the author's experiences in the great Russian civil war of 1918-1920. Dwinger, a German prisoner, was released to serve with the Whites. He latterly escaped home to the Reich. His book has been translated into ten languages. (Scribner's, \$2.75.)

• • "HOME FINANCE and Taxation," "Slums, Large Scale Housing and Decentralization," "House Design, Construction and Equipment," and "Planning for Residential Districts" have been published by the President's Conference on Home Building and Home Ownership, Washington, D. C.

• • "THE Tinder Box of Asia," by George E. Sokolsky, who covered the Russian Revolution for the *New Republic*, deals with China, Manchuria, Japan, and the whole Far East in outstanding style. Up-to-date, he describes the recent Chino-Japanese war; local Communism; the Oriental background. (Doubleday, Doran, \$2.50.)

• • CHARLES F. KETTERING, a Vice President of the General Motors Corporation, and Allen Orth, an engineer in the research laboratories of that corporation, believe that some new product of industrial development can hasten economic recovery. Artificial cooling for homes, rubber pavements, and synthetic fuels are mentioned in "The New Necessity" as possibilities which may, like the coming of the automobile twenty-five years ago, lead to a new prosperity. (Williams & Wilkins, Baltimore, \$1.)

• • FIGURES and data from certain typical countries have been used to enable "International Unemployment" to give a wide view of employment fluctuations throughout the world. (Industrial Relations Institute, \$2.50.)

• • *Contemporary Japan*, a quarterly review of Japanese affairs, appeared for the first time in June. Published by the Foreign Affairs Association of Japan, with a distinguished membership, its home is in Tokyo and its field is the Far East in every phase from politics to books and movies. In format this new periodical closely resembles the American *Foreign Affairs* quarterly, published by our own Council on Foreign Relations. THE REVIEW OF REVIEWS will all success to so worthy a contemporary as *Contemporary Japan*.

The Questions

1. Who was the mother of Solomon?
2. Is the whale a fish?
3. What is the literal meaning of malaria?
4. What are the five Great Lakes?
5. Who was Iris?
6. What is a catwalk?
7. When was Pompeii destroyed?
8. Of what word is spats an abbreviation?
9. In what common drink is tannic acid found?
10. What is an apiary?

The Answers

1. Bath-sheba.
2. No. It is a mammal.
3. Bad air. (Italian *mala aria*.)
4. Superior, Huron, Michigan, Erie, Ontario.
5. Goddess of the Rainbow in Greek mythology.
6. Footway along keel of a rigid airship.
7. A.D. 79.
8. Spatterdashies.
9. Tea.
10. A place where bees are kept.

How Many of These Questions Can You Answer?

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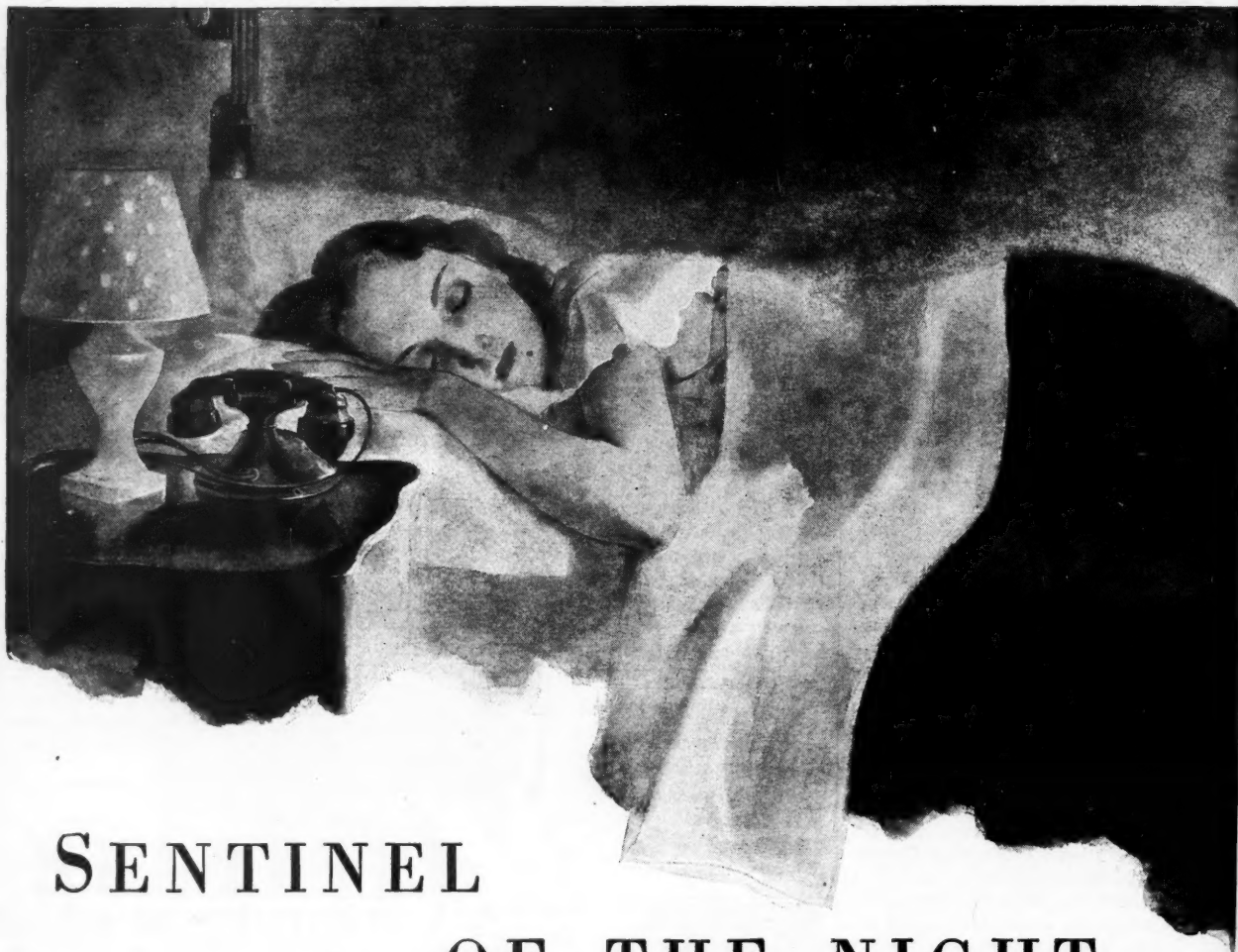
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REVIEW OF REVIEWS

AND

WORLD'S WORK

Vol. LXXXVI, No.3



SEPTEMBER, 1932

The Progress of the World

By ALBERT SHAW

Why Are
Republicans
and Democrats?

AS WE REMARKED last month, the foreigners who understand anything about American politics are few and far between. This is not because European observers are stupid, but because they are looking for something that does not exist. They are trying to make themselves believe that there are real questions of vital policy at stake between our two great parties. But they can discover nothing that bears even the semblance of truth and reality. There is not a single issue of any consequence that is actually at stake between the two parties in this year's contest. Our women voters, also, have a tendency to demand logical interpretations. They seek earnestly to find real differences, and ground for argument and controversy, when they call themselves either Democrats or Republicans. This is partly because women voters are more serious-minded and more intelligent than their husbands and brothers; and they try to convince themselves that our two parties must surely represent something more than historical traditions and mass tendencies. Many young voters, with high-school and college habits of mind, express disgust with what seems to them to be the sheer humbug of our two old parties. They wonder if Norman Thomas, the Socialist candidate, may not perchance be the exponent of some noble principle or essential reform.

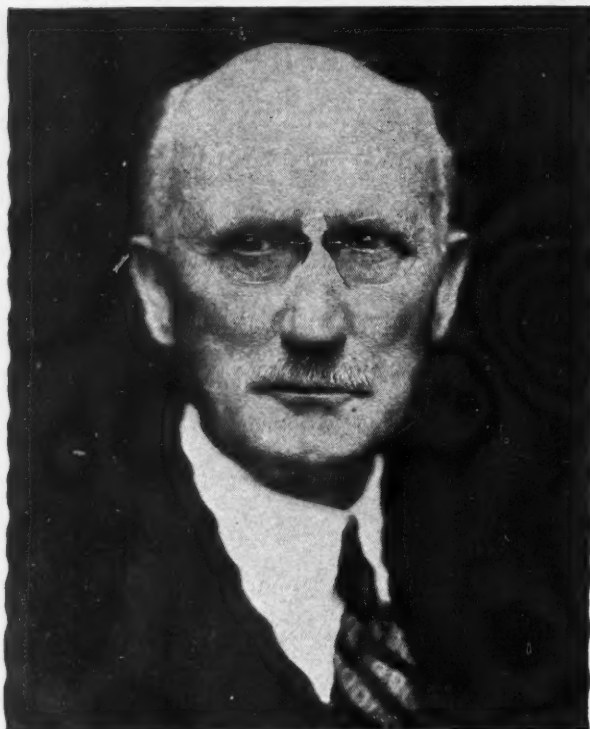
Good Men
in Both of
the Camps

BUT THE SHREWDER ones among them soon discover that Mr. Thomas is simply a good man (kept at the front by some rather queer associates) who has a gift of fluent speech, can afford to give time and courageous effort to public affairs, and who abhors all things that are not lovely and of good report. Mr. Thomas is a Princeton man and a Christian minister, always true to his ethical and religious training. He is a highly chivalrous person, ornamental as a party asset, an admirable citizen, willing to help Judge Seabury and other good citizens of all parties to clean out the Augean stables of misgovernment in New York City. But when our young voters look about them and ask "who's who" among Republicans and

Democrats, they discover hundreds and thousands of public-spirited individuals all the way from the Canadian line to the Gulf of Mexico who are exactly like Mr. Thomas, in qualities of high purpose and clear courage. With one accord such men and women would uphold the necessary though unpleasant work of a reformer like Judge Seabury, who happens to be a Democrat, employed by a Republican legislature, and supported by Socialists like Norman Thomas.

The Earnest
Quest of
Pay-roll Jobs

IN BRIEF, OUR SINCERE young thinkers, our women voters, and our foreign observers will find out when they get rid of their misconceptions that the Republican and Democratic parties, considered nationally, are merely rival associations. Within each of them one finds every kind of political opinion. Also one finds in each of them a mixture of motives, from passionate fanaticism and lofty altruism to the grafting, racketeering and rank corruption that prevails not only in some of the large cities but also in many rustic communities. Probably as many, now, as 10 per cent. of our people are on the public payrolls, or are deriving private benefit in one way or another from funds supplied by national or local taxpayers. Competition for the jobs is the mainspring of political activity. It would be impossible to understand our party system by thinking of it as based upon differences about theories or policies of the federal government. History and tradition merely help a thousand local groups to keep their firm membership in the large solvent combination. Each local politician prizes his party regularity, just as a bricklayer prizes his union card. If this were the whole story it would be destructively cynical. But, of course, it is by no means the whole story. Public life in America, even as in other countries, offers a field for honorable and useful service. In consequence, the party itself serves as the instrument by means of which suitable men become Congressmen and Senators, Presidents and Cabinet officers. Certainly there are real questions to be dealt with. But these do not often take form in such a way as to rally the whole Democratic party



HON. ROBERT P. LAMONT

Who resigned from the Cabinet post of Secretary of Commerce on August 3, to become president of the Iron and Steel Institute. At our request he contributes to this number a sketch of the personality of President Hoover.

and the whole Republican party against each other on a nation-wide battle-front. The questions usually come up as definite matters of business, when the one party or the other party finds its candidates duly elected and at work, in the White House and in the halls of Congress.

Parties and Sectional Prejudices

THE IMPORTANT THING for the citizen is to think clearly, act sincerely, rise above prejudice, and frown upon slander and misrepresentation. Wisdom cries aloud in the streets; but the raucous voices of the demagogues who speak evil of those in authority, and the witless noise and confusion of the discontented and the perverse, are also forcing themselves upon the mass of voters. At least it is better realized now than at certain times in the past that both parties have their wise men and their demagogues and fools. It often happens nowadays that you do not know whether certain respected neighbors, or warm personal friends, are Republicans or Democrats. Fifty or sixty years ago, when the Republicans were sadly in disfavor south of the Potomac and the Ohio, partisanship was bitter and personal. "Nice people" in the South thought Republicans were vulgar and venal, and would not associate with them. In that same era Republicans in the North thought Democrats were largely foreign-born laborers living in cities, who frequented beer saloons and who did not attend orthodox Protestant churches. An alliterative phrase, uttered by a Protestant clergyman on the eve of the election of 1884, was said to have turned the scales against the Republican candidate, James G.

Blaine, and to have given the New York electoral vote to Grover Cleveland. In those days one frequently heard Republican stump speakers in back country districts say, by way of quoting one of their most famous campaigners: "I do not assert, ladies and gentlemen, that every Democrat is a horse-thief, but what I do proclaim and can easily prove is that every horse-thief is a Democrat!"

Which Set of Leaders Do You Back?

WHAT, THEN, is the great row about, as fellow citizens array themselves under the rival banners of Republicanism and Democracy in readiness for the verbal battles that are to culminate in the election of November? From the standpoint of practical politicians the answer may be given in a single sentence. The "outs" are eager to get in, while the "ins" demand a further lease of authority. From the standpoint of people who do not seek office, but are struggling in the mire and welter of the business depression, it is a question either of punishments and rewards, or of believing that one set of party leaders can handle the situation better than the other set. But there are thoughtful people who do not rush so eagerly to either of the party camps. They discover that many of the men of ability and character who have been working with President Hoover in his emergency program are members of the Democratic party, and yet are announced as nominally supporting the candidates chosen by the Democratic convention even though the Roosevelt-Garner ticket may have disappointed them. Voters who are in doubt may like to be reminded of an historic instance where a prominent young man thought carefully and made his choice.

When "T.R." Took His Party Stand

THEODORE ROOSEVELT in 1884, though only twenty-five years old, had made a striking record in the New York legislature and was accorded the honor of the chairmanship of the great delegation of New York Republicans at the Chicago convention which nominated Mr. Blaine. There were several distinct elements in that delegation, and young Roosevelt was in closest sympathy with the political reformers led by General Carl Schurz and Editor George William Curtis. This group worked for the nomination of Senator Edmunds of Vermont. Another element was composed of the followers of Senator Conkling of New York, who was a bitter political enemy of Mr. Blaine. The Schurz-Curtis contingent largely bolted the ticket, because they believed that Mr. Blaine had in a certain instance sold Congressional influence for personal gain. They were sincere, although we are glad to think they were mistaken.

Fighting Within Your Own Crowd

AT THAT TIME Theodore Roosevelt had a cattle ranch in the Bad Lands of the Little Missouri country, where North Dakota borders on Montana. He did not commit himself immediately after the convention, but went out to his ranch to think deliberately and make his decision. After several weeks, looking backward as well as forward, he arrived at his own view as to the structure and char-

ROY D. CHAPIN

Who entered President Hoover's Cabinet on August 3, as Secretary of Commerce succeeding Mr. Lamont. Mr. Chapin has been identified with the automobile industry from its beginning, for the past twenty-two years having been head of the Hudson Motor Car Company. He is a native of Michigan, in his fifty-third year.

© Harris & Ewing



acter of our two great parties. As a Harvard man and a champion of college athletics, he was loyal to the Harvard side when the great games came off, even though he might have disliked the coach and disapproved of his University's policy regarding inter-collegiate competitions. That was a family affair, to be handled between games in the sphere of domestic discussion. Roosevelt realized that our two national parties had become rival organizations within each of which any citizen might find excuse for permanent membership. There would always be room within the party for all sorts of differences about the personnel of leadership, and about particular questions of legislation and public policy. Having done his best to advocate his personal views at Chicago, Roosevelt decided to support the Blaine ticket, and to protect his own future position by remaining "regular."

A Reformer
and Also a
Partisan

THIS DECISION WAS all the more striking, because honesty in politics and non-partisan efficiency in administration were at the forefront of the practical problems with which Roosevelt and his friends were concerned. As a Republican legislator from New York City, Roosevelt had been working at Albany for reform bills affecting the municipal government of New York City. At that time Grover Cleveland of Buffalo was Democratic Governor at Albany, and he had been lending his support to Roosevelt's reform measures. On personal grounds, therefore, it would have been more natural for Roosevelt to support Cleveland in the presidential contest of 1884. But looking ahead he thought he could be more useful and successful as a Republican than as a Democrat, and he was sure that it was best for him to work within the ranks of one party or the other. He had gone to Chicago as chairman of the largest

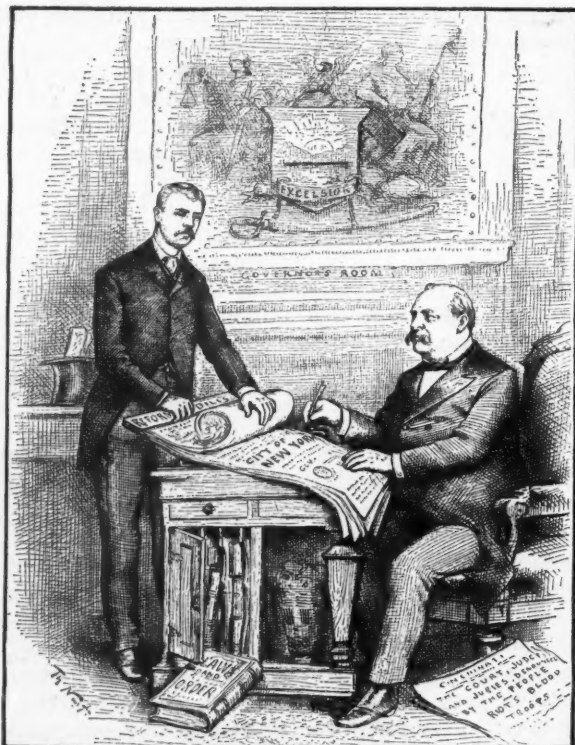
and most important of all the delegations. Young Republicans all over the country were looking to him as one of the party's coming men. If he had started life as a Democrat, he would have found plenty of congenial associates devoted to the same principles of honest politics and administrative reform.

Roosevelt,
Harrison,
Cleveland

BY A MERE FLUKE in the New York voting, Cleveland was elected President in 1884. Young Roosevelt ran for Mayor of New York some time later, and so great was his influence that the Democrats were obliged to put up a candidate of the highest character and ability, Abram Hewitt. Roosevelt was defeated for Mayor, but he had helped to give New York City a reform administration. In 1888, Benjamin Harrison of Indiana was elected President, with Roosevelt's hearty support. Mr. Harrison at once appointed Roosevelt to the difficult office of Chairman of the federal Civil Service Commission. We were in the early stages of our national effort to break down the so-called "spoils system", and to create a permanent body of civil employees, appointed and promoted on merit, and secure in their retention of office. Mr. Roosevelt, holding that official position—which required high qualities of fighting courage to withstand the pressure of office-seekers and spoils-jobbing Congressmen—was able to render notable public service; and he had the full support of the Republican President Harrison. In the next election, that of 1892, Grover Cleveland was successful again; and when he entered upon his second term as President he kept his sturdy Republican friend Theodore Roosevelt at the head of the Civil Service Commission. Moreover, he helped the Commissioner to resist the onset of Democratic office-seekers who wanted to take the jobs away from Republican incumbents.

Comparing the Two Platforms

WE ARE RECITING all this history in order to give our younger readers some sense of the way in which party leaders deal with actual problems. In those days there were spoilsmen and there were civil-service reformers alike in both parties. If Blaine had been elected in '84, he might have appointed Roosevelt as Civil Service Commissioner. It will not do to say that the two parties are exactly alike in composition, in character, or in tendency. But they are enough alike to justify any citizen, who happens by birth or circumstances to belong to the one party rather than the other, in feeling that he may as well stick to his own crowd, and help to shape its behavior along the lines of his principles and convictions. The platforms adopted by the two parties this year serve to illustrate the foregoing remarks. Apart from its preamble, which is pure partisan bunkum, the Democratic platform might with the omission of a few fault-finding phrases serve well enough as the platform of any other party. The Republican platform is longer, but it must be regarded as a political document reviewing the history of Mr. Hoover's presidency, and setting forth the party's attitude towards a long series of domestic and foreign questions. It is more convincing than the Democratic platform, because more accurate in its recital of things that are matters of information. The Republican administration has a record of achievements and a developing program, to be sustained before the country. The



REPUBLICAN AND DEMOCRAT—A CARTOON OF 1884

Grover Cleveland was Governor of New York, two months before his nomination for the Presidency. He is here signing a reform bill for the City of New York, passed by the Legislature through the efforts of the young Assemblyman, Theodore Roosevelt.

By Thomas Nast, in *Harper's Weekly*. From "A Cartoon History of Roosevelt's Career," by Albert Shaw

Democrats, naturally, prefer to challenge the Hoover administration, and to ignore the fact that their own party has controlled the House of Representatives. Many of the best Democrats in the country have been helping to shape the Hoover policies. Leading Democrats on the other hand have been strongly opposed to the measures carried by Speaker Garner and his fellow-leaders in the recent session of Congress.

Hoover Plays Always the Decent Game

IT WOULD BE possible to recast the Republican platform in such a way as to make many of its essential recommendations fit the views of intelligent Democrats as well as Republicans. President Hoover has taken the lead in a long series of measures to relieve unemployment and revive business. He has counseled with Democrats as well as with Republicans. Most parts of his program have been adopted by virtue of Democratic support in the Senate and the House. He gives them praise and credit. In reorganizing the Reconstruction Finance Corporation he has appointed more Democrats than Republicans. For more than a hundred years presidential election contests have partaken somewhat of the aspect of great outdoor national games. The older cartoonists likened these contests to horse races, cock fights, baseball games, or any other kind of popular competitive sport that was in vogue. But it is always hard to hold such a national contest to strict rules of propriety. Here and there the mob spirit will be in evidence. Propagandists will circulate slanders, and mendacity will compete with honest publicity. It is the "outs" who are naturally most tempted to indulge in misrepresentation. No harm should come to either party from telling the truth and giving credit where it is due. We ought to have a harmonious country in order to overcome our difficulties at home, and to meet prevalent foreign animosity with clear evidence that we know how to protect our own interests.

Foremost Among Our Executives

THE PRESIDENCY is an executive job. No other man in the world has so much responsible work to do as the President of the United States. He must delegate many details to others, and he will be wise if he selects department heads of ability and capacity. But he cannot escape for a single day from the weight of general responsibility; and neither can he find a day that is free from the necessity of particular decisions and actions. There have been, of course, wide differences in the official methods of our Presidents in the past. Some of them have been trained chiefly to use words as instruments of statesmanship. They have sought to influence the country and Congress by their skill in statements and in arguments. George Washington was a man of action rather than of words, but he could express himself on occasion. Thomas Jefferson was a man of words rather than of deeds, but in executive office he could also make decisions and act in particular matters. Theodore Roosevelt, like Lincoln, had both powers well at command. Woodrow Wilson by training was a man of words, but as President he could decide and act. Since George Washington's day we have had no other President so

remarkably trained for the executive duties of the office as Herbert Hoover. To discuss and to argue in a partisan spirit is foreign to the nature of a man who has been accustomed all his life to deal with facts, to form accurate conclusions, and to make decisions accordingly. As administrator and executive, he is the most conspicuous example of our generation. About his rank as constructive leader in the spheres of economic life, of social progress, and of international relations and adjustments, there will be campaign differences of opinion. But history will deal justly with his merits as statesman, in fields of broad public policy.

Bombarding the President with Language

Mr. HOOVER's Democratic opponents in the immediate electoral competition will assail him from every

angle. On the Republican side there is the record of deeds and accomplishments. On the Democratic side there can be only the use of words, with such cleverness of attack, and such audacity of exaggeration, as partisanship can invent. We have been passing through deep waters of trouble widespread. Have these bitter years of business depression, accented by bank panics, gold panics, real-estate panics, railroad panics, industrial collapses, with accompaniment of farm foreclosures, and with millions of men begging for jobs—have these conditions up to the present date been intensified, or have they been greatly mitigated, by policies and specific measures for which President Hoover is responsible? Did Herbert Hoover, single and alone, plunge the world into this seething vortex of economic trouble? Or has he been working manfully, and with considerable success, to bring the aid of government to desperate economic situations that were not governmental in nature or origin? Is there any reason to suppose that some other man—for example, the attractive and popular gentleman who is serving as Governor of New York—would have known better than President Hoover how to deal with the unprecedented difficulties of the past three years? The campaign against Mr. Hoover must of necessity be one of verbal strategy. The attacks, as we have remarked, will come from all points. Mr. Hoover—so we will be told, once said this or once did that. He failed to say or to do this or that, at some particular moment. Undeniably, the period of his presidency coincided with the period of acute business depression. But it also coincided with the governorships of Roosevelt in New York and Pinchot in Pennsylvania. Why not argue that Roosevelt and Pinchot were responsible for such conditions of business paralysis as have prevailed within the borders of their respective sovereign states? Did either of these Governors build up a record for constructive achievement of which the President should be envious?



RENOMINATED BY THE REPUBLICAN PARTY FOR PRESIDENT AND FOR VICE PRESIDENT

The Speech of Acceptance on August 11

EACH MONTH OF LATE we have reminded our readers that in any case Mr. Hoover will be President until March 4, 1933. His responsibilities will be undiminished until that date. September, October, November, December, January, February—these six months are destined to make their share of history at home and abroad. In the making of that history Mr. Hoover must play a leading part. He cannot turn aside, except incidentally, to bother with trying to persuade the American people to reelect him for another term. But Mr. Hoover is amply qualified to express himself, even though he cannot use the cunning sophistries of partisanship, or even stoop to answer personal attacks. The date of August 11 for Mr. Hoover's acceptance message was well selected. With the conventions past, Congress adjourned, and Democratic opposition organized, Mr. Hoover could state his case calmly, once for all, and leave the campaign to others. He appeared before an audience in Constitution Hall, near the White House. On August 11, 1928, he had delivered his first message of acceptance, at his home in California. For the benefit of radio listeners, an evening hour was selected this year which was a little late for the At-

lantic seaboard, a little early for the Pacific states, and wholly convenient for the Mississippi Valley. The country will have heard (or will have read) the address with unusual attention. Its seriousness and sincerity are befitting these times and seasons. There is not a word of flippancy, futility or foolishness in this masterly effort to tell the people in simple language what the President has done, and how he would proceed if reelected.

Is He a
Failure,
or a Victor?

IT WAS THE INNOCENT and ardent Marie Antoinette who asked, when told that the people of France had no bread, why they did not eat cake.

Mr. Hoover has been too close to the grim realities to conjure up bright experiments, or chatter eagerly like Alice in Wonderland. In 1864, when President Lincoln was renominated, his opponents undertook to show that he had plunged the country into dire distress, and had been a failure from every conceivable standpoint. Yet he had saved us from the imminent danger of European war; and he was within six months of complete success when the country gave its verdict in his favor on election day. Nothing can be quite as bad, in all the aspects of loss and grief, as a great civil war. And the crisis that Lincoln had to meet, therefore, was more painful than that which has confronted Hoover. But in some respects there are striking parallels between the two situations. In both, the chief menace came from Europe. There is nothing boastful or arrogant in Mr. Hoover's claims for what he has done. But he tells the story in language which through various passages, reminds us of the admirable clarity and persuasiveness of Mr. Lincoln. His acceptance address is a logical document in its plan and method. The first part is a picture of the conditions with which the country has had to deal. It is lucid, convincing and without unfair partisan implication. It makes explicit and generous acknowledgment of Democratic coöperation on the part of leaders in both Houses of Congress, and of the services of prominent Democrats who have been called into consultation or who have left their private affairs to take up public work in various emergency projects under the President's direction. We are printing that part of the address elsewhere in this number.

The Story of
Emergency
Policies

PART II OF THE ADDRESS recounts the efforts of the Hoover administration not to supplant or weaken, but rather to supplant and strengthen, the initia-

tive and enterprise of the people. As we have remarked in previous months, the colossal activities of an emergency character set on foot by the federal government are in full accord with those distinctions between public and private spheres of activity that are consistently American. In brief and condensed phrases, Mr. Hoover gives account of his stewardship as he has induced industry, labor and agriculture to resist panic; to keep wages up to meet cost of living; to spread employment through shortened hours, and to unite every voluntary agency for the relief of needy families. Fundamental responsibility of the states has been maintained, on the President's urgent advice, by

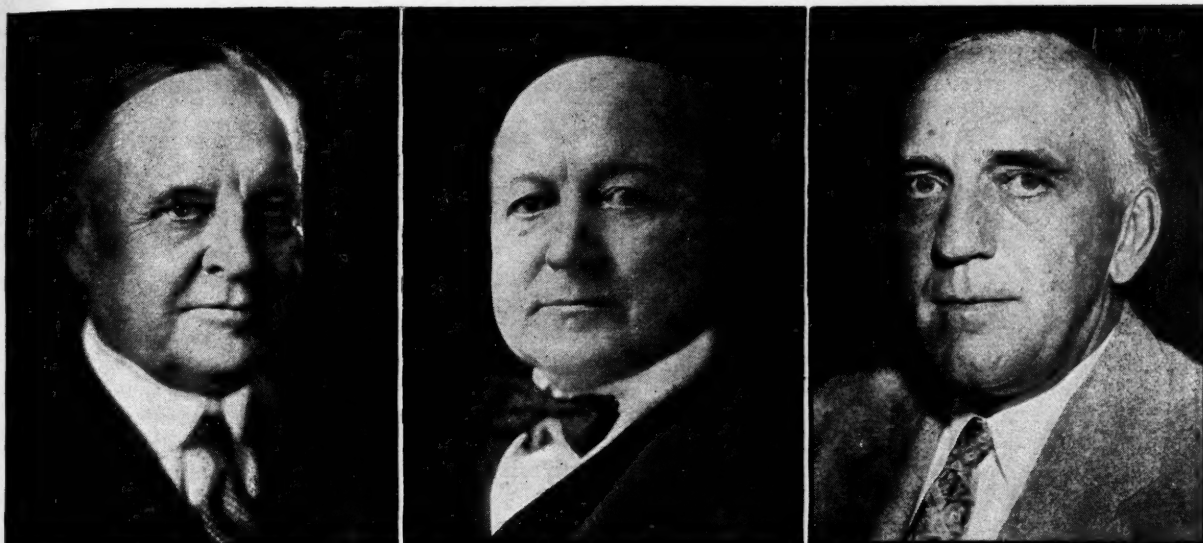
helping them with loans rather than by assuming their direct burdens. So far as federal construction could be justified, it has been expanded under the President's direction. We are publishing an article by Secretary Hurley, prepared at our request, which summarizes the Government's construction work, especially as directed and supervised by army engineers. Secretary Hurley has recently spent some time inspecting the interior waterways and joining in the celebration of the opening of navigation on the Missouri River. In this part of his address, having stated the principles upon which practical policies have been based, the President recounts one effort and achievement after another in a series of paragraphs, each of which begins with the phrase, "It was in accordance with these principles." There was nothing freaky or panicky about the program as its features appear in orderly sequence. The German moratorium and the "proposals to reduce the cost of world armaments by a billion a year" were items in the program.

Setting Up
the Finance
Corporation

THE MOST STRIKING FEATURE is comprised in the stupendous credit mechanism called the Reconstruction Finance Corporation. Its object has been to protect the savings of individuals and families throughout the country by upholding the banks and other institutions, the failure of which would involve everybody. By virtue of legislation for relief purposes, adopted in the closing days of the session of Congress, the functions of this Corporation were expanded. It was authorized to make loans to public and private enterprises which would furnish employment, while also capable of earnings for the ultimate repayment of the loans. It was empowered to lend money to state governments for relief purposes, in cases where it was not convenient for the states to sell bonds or to secure requisite loans elsewhere. General Dawes had retired from the corporation and returned to important business in Chicago. The President had approved the withdrawal of Mr. Eugene Meyer (Governor of the Federal Reserve Board) and Mr. Paul A. Bestor (Federal Farm Loan Commissioner), in order to relieve them of the burden of double duties. Three Democratic members remained, namely Messrs. Harvey Couch of Arkansas, Jesse H. Jones of Texas and Wilson McCarthy of Utah. The Secretary of the Treasury, Mr. Mills, remained a member of the Corporation; and after the retirement of General Dawes, a Republican newspaper publisher of prominence, Mr. Gardiner Cowles of Des Moines, was appointed.

Mr. Pomerene
and the
Renewed Board

UNDER TERMS of the relief bill, two additional directors were to be selected. As the first of these, the President named a former United States Senator, Atlee Pomerene of Ohio, who was to succeed Eugene Meyer as chairman of the board. Mr. Pomerene (who is a distinguished Democrat) was already conversant with the policies and methods of the Corporation, and his prompt acceptance was universally applauded. Two days later the choice of Charles A. Miller, head of a savings bank in Utica,



Gardner Cowles of Iowa, Member of the Reconstruction Finance Corporation.

Atlee Pomerene of Ohio, Chairman of the Reconstruction Finance Corporation.

Franklin W. Fort of New Jersey, Chairman of the Federal Home Loan Bank Board.

THREE NEW RECONSTRUCTION OFFICIALS AT WASHINGTON

New York, and recently chairman of the Corporation's regional committee for New York State, was announced as completing the membership. In England "coalition" takes form in a composite Cabinet, which exercises unquestioned control over Parliament. In the United States, on the contrary, we seek to hold to the principle of party unity in Cabinet and Congress, while carrying on great public functions through non-partisan or bi-partisan boards and commissions. The Reconstruction Finance Corporation reminds us of the immense services of war-time agencies called into being fifteen years ago. It has brought courage and hope to our anxious business world, and a change for the better was evident in August.

Other New Credit Facilities

HAVING MADE DUE reference to this Corporation, the President mentioned the new powers and functions of the Federal Reserve Banks, and reminded us that he was proceeding to establish the Home Loan Banks that were authorized by Congress on his urgent recommendation. He referred to his efforts to reduce government expenses, and to organize private industrial and financial resources to join hands with these tremendous agencies of the government. It was the President's initiative in the matter of the German moratorium that led Europe on to the profoundly important decisions of the recent Lausanne Conference. Our Government had intimated that we would afterwards be ready to join in a "world economic conference to strengthen the whole international fabric of finance, monetary values and the expansion of world commerce." This conference is now assured, and it may prove useful. The President concludes this part of his address with the following sentences: "These programs, unparalleled in any country to care for distress, to provide employment, to aid agriculture, to maintain the financial stability of the country, are in action. I shall propose such other measures, public and private, as may be necessary to further speed

economic recovery. That recovery may be slow, but we will succeed. And come what may, I shall maintain the sanctity of the great principles under which the Republic over a period of 150 years has grown to be the greatest nation on earth."

Expounding and Endorsing the Platform

IN THE THIRD PART of his acceptance speech, President Hoover refers to national policies as set forth in the Republican platform. He comments upon different topics in twenty numbered paragraphs. He begins the first by saying: "I am squarely for a protective tariff. I am against the proposal of a competitive tariff for revenue, as advocated by our opponents." It should be said that the phrase which he quotes from the Democratic platform is not clear as to meaning. At best, it is a phrase that nobody will ever try to exemplify in legislation. Our protective tariff policy is national in the fullest sense, and there is no serious thought in any quarter of giving it up. The tariff will not count for much, in honest speeches made during this campaign. The great fault about the Hawley-Smoot bill lay in the fact that the revision from first to last occupied about a year and a half. But this was not the President's fault. Anxiety was caused in commercial circles at home and abroad. Suspense about possible changes made most of the trouble. President Hoover succeeded in getting a good form of tariff commission, in order to prevent another period of general revision. Our American market is by far the greatest and best in the world; American agriculture and industry will not sacrifice this home market on a mere theory. If the Democrats gained every seat in both Houses of Congress, they would do very little if anything to change our tariff system. Mr. Hoover continues to oppose cancellation of the war debts. He would not let our debtors off in order to make it easy for them to maintain their armament policies. But he would trade the debts at any time for something more valuable to this country. He favors

arms reduction by agreement, not sacrificing the relative strength of our Army and Navy. Under his direction the inward movement of foreign population is less than the outward movement.

**Future
Business
Legislation**

AS REGARDS BUSINESS policies, Mr. Hoover continues to demand a revision of the railway transportation laws, and he recommends the federal regulation of interstate power. But he will oppose government operation of the power business (as for example in the case of Muscle Shoals). He stands now as always for conservation of resources, and urges "legislation to correct the waste and destruction of these resources through the present interpretations of the anti-trust laws." (This has a bearing, among other things, upon the competitive over-production of crude oil.) Mr. Hoover regrets that the legislation he has recommended for the reform of our banking laws has not been enacted. "The American people must have protection from insecure banking through a stronger system." He would reform conditions which have permitted the unchecked use of credit facilities for reckless speculation. He favors emergency relief for depositors in closed banks. He continues, with admirable firmness, to oppose all sorts of private loans abroad for non-productive purposes.

**The Budget,
and Government
Economy**

COMING TO THE BUSINESS of the Government itself, the President insists upon the maintenance of a balanced budget, and remarks that the new taxes must be examined and further revised if they tend to sap the vitality of industry. He lays chief stress upon the reduction of government expenditures, national, state, and local. The federal government is spending \$200,000,000 less per annum now than four years ago. Congress rejected recommendations that would have saved another \$150,000,000 this fiscal year. The Democratic leadership in the House is criticized for having secured enactment of treasury raids to the total amount of three billions. He calls attention to his seven-year fight to have Congress abolish obsolete bureaus and commissions and reorganize the whole government structure in the interest of economy. He has now secured partial authority, subject to approval by the next Congress.

**The Great Lakes
Waterway
and Farmers**

MR. HOOVER BELIEVES that measures for the relief of agriculture have had value that will be more than temporary. He realizes that farm prices cannot be restored by legislation. His allusion to Farm Board efforts recognizes the stabilizing purchases as wholly temporary, to meet panic conditions. The farmer's most essential relief must come through readjustment of taxation. Reference is made to the development of the nation's waterways, and to the treaty recently signed between the United States and Canada for the construction of a navigable passage by way of the St. Lawrence River between the Great Lakes and the Atlantic Ocean. Immediate work upon this project can start after the treaty has been ratified. The President urges the need of further reforms in

**We Strive
Always to
Promote Peace**

IN FINAL PARAGRAPHS of this part of his address Mr. Hoover declares that "My foreign policies have been devoted to strengthening the foundations of world peace." And he specifies a number of proposals, including the new doctrine that the United States never will recognize title to territory gained in violation of the peace pacts. Everyone is aware of Mr. Hoover's activities as regards measures for protecting and safeguarding children and home life, including the voluntary movements organized throughout the country as a result of great conferences held at Washington. The fifth and final portion of Mr. Hoover's acceptance address rounds out this remarkable document on a high note of sincerity and of restrained optimism. It reveals something of that deep feeling that reticent men like Mr. Hoover make it their ordinary practice to conceal.

**The President
Considers
Prohibition**

THE PERORATION to which we have referred follows Part IV. That part is devoted exclusively to the subject of Prohibition. It was well-known that Mr. Hoover would not discourage the opinion—now prevailing in both parties—that Congress should refer the question in some form to the states for a fresh decision by the people themselves. No thoughtful person had supposed that it was the duty of the President to assume the initiative or to instruct Congress or the country as to the exact manner or form of such submission to the voters. Yet there was universal desire to have the President express himself upon the merits of the issue. He declared his sympathy with the high purpose of the Eighteenth Amendment, which he had hoped was the final solution of the evils of the liquor traffic. But "abuses have grown up . . . an increasing number of states and municipalities are proving themselves unwilling to engage in enforcement." Worse than this, the President continues, there has been "a spread of disrespect not only for this law but for all laws, grave dangers of practical nullification of the Constitution, a degeneration in municipal government, and an increase in subsidized crime and violence." President Hoover refuses "on the one hand to return to the old saloon with its political and social corruption, or on the other to endure the bootlegger and the speakeasy." It is his belief that in order to remedy present evils a change is necessary. This is his recommendation: "It is my conviction that the nature of this change, and one upon which all reasonable people can find common ground, is that each state shall be given the right to deal with the problem as it may determine, but subject to absolute guaranties in the Constitution of the United States to protect each state from interference and invasion by its neighbors, and that in no part of the United States shall there be a return of the saloon system with its inevitable political and social corruption and its organized interference with other states. American statesmanship is capable of working out a solution and making it effective."

The Rival Platforms on Repeal

BOTH PARTY GATHERINGS at Chicago indicated by unanimous votes their opinion that the people of the forty-eight states should pass judgment once more upon the question of prohibition in the federal Constitution. The Eighteenth Amendment was proposed by Congress in December, 1917, and thirteen months later, in January, 1919, it had been ratified by the requisite number of states. By its own terms the Amendment was to be in force one year after its ratification. The Volstead Act was passed by Congress in the interval, and prohibition was in actual effect from January 16, 1920. It is possible, but by no means certain, that some change in the system may be made in time to take effect in 1934. The Republican convention at Chicago advocated an amendment that would allow states to deal with the liquor traffic, subject to certain powers retained by the federal government. "Such an amendment should be promptly submitted to the states by Congress, to be acted upon by state conventions." A large minority of the Republicans at Chicago preferred that the proposed amendment should go no farther than the repeal of the Eighteenth Amendment as it now stands. The Democrats also asked for state conventions, and favored a straight repeal of the Eighteenth Amendment. Both conventions expressed their opposition to the return of the saloon system.

Should Congress Have Power

THE FORM IN WHICH the question may be submitted to the states will depend upon the views that prevail in Congress, and not upon the preferences of President Hoover or Governor Roosevelt. When the Wickersham Commission reported upon the practical operation of the Volstead Act, each member subjoined his own individual views. Hon. Henry W. Anderson of Virginia favored the substitution of an amendment that would merely confer permissive jurisdiction upon Congress. The Drys could support this proposal, because they could keep the present law in force, or change it as they pleased, by securing control of Congress. The Wets should be satisfied with the Anderson proposal, because they would only have to obtain a majority vote in Congress to relegate the subject to the states, whether in whole or in part. Colonel Anderson is a distinguished Republican and one of the leaders of the American Bar. At our request he has written an article on this perplexing question, which appears in the present number. Regular readers are aware that we have discussed the so-called Anderson Amendment in previous numbers, and thought it to be the most practical substitute that could be adopted.

What Do Law-Breakers Prefer?

THERE IS ONE ASPECT of the question that was discussed most impressively in our August number by Mr. Burdette Lewis. The lawbreakers who were acting as many thousands of independent units a few years ago in rum-running and smuggling, in distilling and brewing, and in operating speak-easies and night clubs, have gradually learned how to adopt the methods of big business. They import liquors in a large way, manufacture whiskey and beer on a great



HENRY W. ANDERSON

Distinguished Virginia lawyer, member of the National Commission on Law Observance and Enforcement, and author of a plan to remedy evils resulting from prohibition unenforced (see page 30)

scale, control distribution and retail sales, and have at their disposal ample sums of money with which they bribe policemen, enrich local politicians, and even secure the appointment of their own legal friends and agents to positions on the bench. They hire gunmen, fix juries, intimidate prosecuting attorneys, blackmail various lines of business and trade, and take advantage of prohibition to put crime upon a basis of solid advantage that menaces good government and honest enterprise. The Eighteenth Amendment should have been so framed as to bring the liquor interests under national authority, without making prohibition mandatory. Mr. Burdette Lewis holds that, with the Eighteenth Amendment repealed or changed, the power of national control should be vested in Congress. With forty-eight states handling the liquor question on their own experimental plans, he believes that the racketeers would continue to flourish. We are inclined to agree with him, and to believe that Congress should retain power to deal from time to time with changing aspects of the liquor question upon uniform national lines. Colonel Anderson's form of amendment would leave the country free to do in the future whatever it might find most feasible in the light of experience.

Suppression of Saloons in Future

THE DEMOCRATIC PLATFORM urges the states to enact such measures "as will actually promote temperance, effectively prevent the return of the saloon, and bring the liquor traffic into the open under complete supervision and control by the states". But to give such advice was inconsistent. The convention at Chicago was a national body. If liquor control is to be a purely local question, it is sheer impertinence for a national convention to tell the forty-eight sovereign states that they ought not to let saloons be re-established. The very fact that the entire Democracy

of the nation agrees in putting anti-saloon doctrine into the party platform contradicts the theory of unhampered state discretion. The plank that was supported by a large minority in the Republican convention was similar to the majority Democratic plank, using almost the same phrases in pledging the party to efforts within the several states to secure continued abolition of the saloon. If that plank had been adopted, the Republican party would have been under obligation to invade the several states with a propaganda against saloons, in case of the repeal of the Eighteenth Amendment. When both conventions were unanimous in their belief that drinking saloons should henceforth and forever be outlawed throughout the United States, they were pointing directly to the only practicable way to accomplish this result. If everybody wishes to accomplish a uniform national object by legal measures, the obvious way to proceed is by national enactment. If we confine ourselves to repealing the Eighteenth Amendment, the national authorities are without further jurisdiction. But if the Anderson amendment were adopted, prohibition would be taken out of the Constitution, but the authority to prohibit or to regulate would be vested in Congress.

The Bonus Army has Evaporated

IN THE CLOSING DAYS of July the Bonus army that had assembled at Washington in May and early June was abruptly evacuated. Congress had adjourned on July 16, and there could be no further hope of securing cash payments of bonus certificates before the short term of the Seventy-second Congress next winter. But all intelligent men knew that an impoverished camp of thousands of lobbyists, lingering on at Washington for half a year more, could not overcome the sound reasons that were advanced by the Senate and the administration against the Patman bill. On June 15, when the Patman bill was passed in the House, it was reported that the bonus marchers numbered 21,000 actually present in Washington. This was probably exaggerated, but there were at least half as many. The movement had started on the Pacific Coast; but most of the marchers had been recruited in the Middle West and the East.

It Enlisted to Support Patman Bill

THE PATMAN BILL called for the printing of fiat money, and the immediate payment of two and a half billion dollars to the holders of soldiers' bonus certificates that are not due until 1945. The marchers felt that their assembling at Washington was a meritorious movement in support of a righteous measure. Their arrival, and their demonstrations, seemed to them to have the encouragement and warm approval of the Congressmen who voted for the Patman plan. The bill was passed in the House by a vote of 209 to 176. It was brought forward as a Democratic measure, but had also some Republican support. The Democrats who voted for it numbered 152; and 56 Republicans concurred. Voting against the bill were 126 Republicans and 50 Democrats. It was promptly rejected by the Senate, with virtually no support. In any case the President would have vetoed it. Before adjourning, Congress voted an appropri-

tion of \$100,000 to aid genuine veterans in getting back to their homes, and the President signed the bill.

Rioting at Washington in July

THE BONUS MARCHERS were treated with great indulgence by the citizens and the local authorities of the District of Columbia. They created their main camp on government land in the eastern corner of the District, known as Anacostia. But later on a number of them took refuge in vacant buildings soon to be demolished to make way for new public buildings on Pennsylvania Avenue. Late in July they were asked by the police to leave these buildings which were on the point of removal. These requests gave the excuse for certain disorderly elements to precipitate riots and attack the police. At the request of the local authorities, the War Department, acting upon President Hoover's orders, sent a force of about six hundred United States troops to assist the police in maintaining law and order against a far greater number of rioters. This occurred on the afternoon of July 28, after a mob of several thousand men had injured a number of policemen. The mob was soon dispersed, not a shot was fired by the troops, women and children accompanying the marchers were cared for by the Red Cross, and the main body of the marchers moved across the Maryland line. Employing much tact but prompt energy, Governor Ritchie's Maryland Highway Department helped to speed the marchers across Maryland to the Pennsylvania line, where they were hastening to accept an invitation from the Mayor of Johnstown.

Secretary Hurley's Statement

SO MUCH MISREPRESENTATION was spread abroad that the Secretary of War, Mr. Hurley, issued a formal statement on August 3 reviewing the facts. Far from using harsh and brutal measures, the Government had been patient and perhaps over-indulgent. The movement of the bonus marchers was not merely fantastic; it was without any good reason or excuse. The majority of the campers were not ill-disposed and they were probably right in blaming the riots upon an element of Communists and radicals that was intent upon disorder and violence. Arrests were made and a grand jury investigation was undertaken. Undoubtedly the leaders of this ill-advised movement were glad of the excuse afforded by the Washington riots to throw blame upon the Government, while hastening the complete dispersal of the "B. E. F." A fund for railroad fares was advanced from some source, and the army that had reassembled at Johnstown was promptly disbanded.

Gov. Roosevelt Deals With New York's Mayor

WITH NO DESIRE to belittle Governor Roosevelt's preliminary efforts to discuss national topics, it may fairly be stated that they had seemed to extemporize criticisms upon subjects that had not previously claimed the Governor's close attention. He had been greatly occupied at Albany, and had taken little or no personal part in the consultations of leaders of both parties at Washington during the past two or three years. His mind, furthermore, was preoccupied in July and the early days of August with the

case of James J. Walker, Mayor of New York City. A legislative investigation conducted by Judge Seabury had resulted in serious charges against the Mayor, which were presented to the Governor early in June, with a demand for the removal of the accused official. Judge Seabury's findings were supported by influential citizens. The Mayor had annoyed the Governor by taking too many weeks in preparing his reply. Judge Seabury lost no time in pronouncing the reply evasive and untruthful. The Governor fixed August 11 for the Mayor's appearance at Albany, and there began an executive hearing that carried over into the next week. It had been the general opinion that he could not avoid the necessity of removing the Mayor. The Governor had already received the assurance of political support from Tammany, regardless of the fate of Walker.

**At Ottawa
They Bargain
About Trade**

AN ARTICLE IN THIS number describes the remarkable gathering at Ottawa of statesmen from Great Britain and the British Dominions. England imports food and raw materials, and has to support an immense manufacturing population. Canada, Australia, South Africa, and other parts of the British Empire produce vast exportable quantities of food-stuffs and raw materials. These countries are fully independent of one another, in the political control of their trade policies. They make treaties and agreements with one another as separate countries. But they are seeking to revise those treaties in such a way as to increase the volume of reciprocal trade. Their experience will help us in due time to readjust some of our own trade policies. It is a great compliment to the United States that these public men come to Canada with the full assurance that we Americans look upon their efforts with friendly interest, while they are avowedly trying to take away from us a part of the trade that we have built up with our nearest neighbor. They are justified in seeking their own best interests, knowing that it is our business to work out the commercial policies that suit us best.

**The World
Grows More
Friendly**

MEANWHILE THE FIRST HALF of August was witnessing the gathering at Los Angeles of athletes from almost forty countries, taking part in the quadrennial competition known as the Olympic Games. Throughout the world the younger generation is growing up to hate war, and to believe in physical culture and in all kinds of mental, moral, and social progress that promote friendliness and coöperation among races and peoples. As these pages closed for the press there was uncertainty about the political situation in Germany, with Hitler seeking the Chancellorship following an indecisive election. But there was much reason to believe that Germany would maintain domestic peace and order. Also, the outlook for better feeling and more harmonious business relations among the great powers of Europe had seemed to be growing better rather than worse. Dr. Samuel McCune Lindsay of Columbia University, who has spent recent months at Geneva, has from the beginning had an active share in some of the useful activities at the



TWO OF BRITAIN'S CABINET AT OTTAWA

Stanley Baldwin (left) is a former Premier now representing the Conservative party in the National Cabinet. J. H. Thomas (right) is an outstanding Labor leader, holding the post of Secretary for Dominion Affairs.

League of Nations. Our readers will remember his articles on the Far East following a visit to Japan as our representative. This month he writes hopefully of the world influences that emanate from Geneva, from the recent conferences at Lausanne, and from the world bank at Basle.

**Improving Our
National
Heritage**

BEGINNING WITH SEPTEMBER 18, a group of societies interested in civic improvement were to hold joint sessions for a week or more at Washington. Most citizens do not realize that George Washington personally laid the cornerstone of the north wing of the Capitol building on September 18, 1793. The sessions at Washington will consider improvement plans for the national capital and its park system, and will deal with general questions relating to parks and civic improvements throughout the country under existing conditions. Under the auspices of Dr. Albright of the National Park Service, the joint societies will visit the Shenandoah national park and the Government's colonial monuments and reservations in Virginia. What is worth noting, though not so visible to the tourist, is the efficiency of Virginia in reform features of state and local government. Everywhere there should be interest in the article we are publishing on Virginia county government by Professor Tucker of Washington and Lee University. Dr. Tucker was chairman of the commission on county government whose valuable report formed the basis of reforms recently adopted by the legislature.

The March of Events

From July 15 to August 11

Reconstruction and Relief

The Garner-Wagner relief bill . . . States ask the R. F. C. for help.

FULL publicity for future Reconstruction Finance Corporation loans, most debated feature of the Conference Committee's version of the Garner-Wagner unemployment relief bill, is approved by the Senate (July 16) following House acceptance (July 15) of the \$2,100,000,000 bill. As finally approved by both houses and signed (July 21) by the President, the bill provides that the Reconstruction Finance Corporation may lend \$1,500,000,000 to states and municipalities for self-liquidating construction projects; make a \$300,000,000 relief fund available for loans to states; and advance \$300,000,000 for public works.

THE EXECUTIVE council of the American Federation of Labor, meeting at Atlantic City (July 22), directs its President, William Green, to formulate a compulsory unemployment insurance plan—this plan to be enacted by Congress rather than by submission to state legislatures.

ATLEE POMERENE, 68, lawyer, business man, former Democratic Senator from Ohio, is appointed (July 26) by President Hoover to the chairmanship of the Reconstruction Finance Corporation, succeeding Eugene Meyer. The Board's membership is completed (July 28) when President Hoover names Charles A. Miller, Republican, a banker of Utica, New York, to the last vacancy. This makes its membership stand four Democrats and three Republicans.

THE FIRST state loan of the Reconstruction Finance Corporation is made to Illinois (July 27). It receives \$3,000,000—an advance grant on an application for \$10,000,000. Without this sum, Illinois relief funds would have been exhausted. Illinois will pay 3 per cent. interest on the loan, which, if not otherwise repaid, will be collected by deduction from future federal appropriations for the state's road building.

PRESIDENT HOOVER issues a statement (July 29) outlining a 9-point program for economic recovery based largely on new powers granted the Reconstruction Finance Corporation. The program promises a board of engineers to advise the Reconstruction Finance Corporation in releasing funds to the amount of \$1,500,000,000 for self-liquidating works; stimulation of slum clearance; rapid selection of directors of Home Loan Bank board; action further to spread existing employment through reduction of work hours, etc.

AT NIGHT (August 1), President Hoover meets Governor Winant of New

Hampshire and other members of the New England group who propose a national conference to consider the New Hampshire plan, a flexible project which gives industry its choice of a five-day week, shorter work days, or some other plan suitable to a particular industry.

GOVERNOR PINCHOT of Pennsylvania personally appeals (August 2) to the R. F. C. for an immediate loan of \$10,000,000 for his state. The Corporation rejects this appeal (August 4) on the ground that Pennsylvania has not exerted sufficient energy in helping herself. This becomes a policy of the board in determining its allotment of loans to states. Thirteen states had applied for loans by August 2; these requests would take \$171,000,000 of the \$300,000,000 available. No state can apply for more than 15 per cent., or \$45,000,000.

Campaigns

The Democrats achieve party harmony . . . President Hoover accepts his nomination.

JAMES A. FARLEY, chairman of the Democratic National Committee, discusses (July 26) issues of the Democratic campaign and questions of organization with a group of Senators and House members in Washington. It is decided to emphasize economic issues, and to hold the Hoover Administration responsible for present conditions. Chairman Farley expects that Alfred E. Smith, William G. McAdoo, and Governor Ely of Massachusetts will join actively in the campaign.

AT A SPECIAL meeting in Tammany Hall (July 28) Leader John F. Curry offers a resolution, which is seconded and accepted, that endorses Governor Roosevelt and Speaker Garner as candidates for President and Vice-President. Governor Roosevelt, in a radio address from Albany (July 30) stresses economic issues as the keynote for his presidential campaign; he declares for payment of war debts, for lowered tariffs, and for resumption of trade to open the way for payment of debts. His speech is largely an analysis and amplification of the Democratic platform.

JEREMIAH MILBANK, who held with success in 1928 the position of Treasurer of the Republican National Committee in the East, accepts this post for the present campaign (July 29). At the same time Chairman Sanders, and J. R. Nutt, National Treasurer, announce that Senator Felix Hebert of Rhode Island will be the eastern campaign manager. It is expected (July 30) that Col. Theodore Roosevelt, Governor General of the Philippines, will return to campaign for President Hoover.

IN CONSTITUTION Hall, Washington (August 11), President Herbert Hoover receives formal notification of his nomination by the Republican party as its candidate for the Presidency. His speech of acceptance details the concrete work during his administration, and states clearly and simply the principles for which he stands and on which he will proceed if reelected. (See page 13.)

Government

Accomplishments of the Congress . . . More legislation for veterans.

THE FIRST session of the Seventy-second Congress adjourns (July 16) after a 224-day session—longest in ten years—during which it was faced with the nation's most trying list of peacetime problems, and after enacting 500 laws. Major legislative accomplishments are: ratification of the Hoover one-year moratorium on international war debts; enactment of emergency measures establishing the Reconstruction Finance Corporation, providing unemployment relief, increasing the capitalization of the Federal Land Banks, and establishing a new system of Home Loan Banks; passage of the Glass-Steagall bill to expand credit facilities by releasing excess gold reserves; and a program of decreased governmental expenditures and increased taxes to balance the budget.

APPOINTMENTS to the Home Loan Bank Board are made on August 6. Franklin W. Fort, New Jersey Republican, becomes chairman. The four other members of the board are William B. Best of Pittsburgh, Dr. John M. Gries of Ohio, Republicans; Nathan Adams of Texas, and M. Morton Bodfish of Chicago, Democrats.

PRESIDENT HOOVER signs (July 21) the Bacharach bill which reduces the rate of interest on loans made to veterans on bonus certificates from 4½ to 3½ per cent., and enables them to borrow on certificates immediately on receiving them, instead of waiting two years. It is estimated this will cost the government about \$384,000,000.

International Cooperation

St. Lawrence waterway . . . International Economic Conference . . . The Kellogg Pact must stand.

ELEVEN YEARS of diplomatic negotiations between the United States and Canada end successfully (July 18) as the two nations sign a pact concerning the proposed waterway from the Great Lakes to the Atlantic. Terms of the treaty provide that \$258,000,000 of the expense be borne by the United States, and \$143,000,000 by Canada. The sites for the necessary dams and locks to maintain a 27-foot waterway are located; and it is agreed that the 2,000,000 hydro-electric horsepower developed shall be divided equally between the two countries. Ten years will be required to complete the project after the Senate has granted its approval.

Continued on page 54

POLITICAL SIDELIGHTS

"COME ON, CAL—
AIN'T YOU GOT A
TEENSY-WEENSY
KIND WORD
FOR ME?"



By Chase, in the New Orleans Item
JUST A HEART CRAVING AFFECTION

By Berryman,
in the
Washington Star

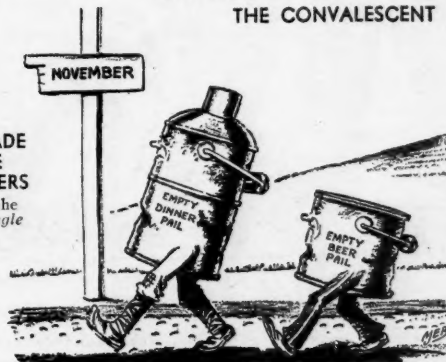


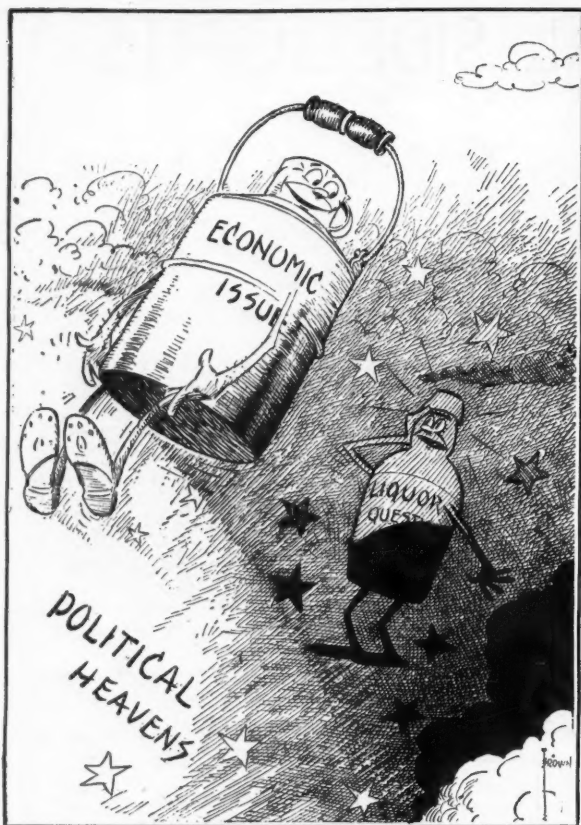
By Evans, in the Columbus, O., Dispatch
THE CONVALESCENT



By Talburt, in the New York World-Telegram
"RIVER, STAY 'WAY FROM MY DOOR!"

THE PARADE
OF THE
TIN SOLDIERS
By Meh, in the
Brooklyn Eagle



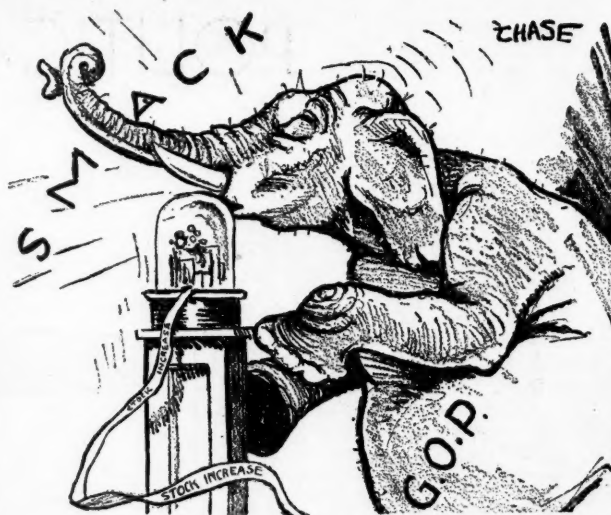


By Brown, in the New York Herald-Tribune ©
THAT THREATENED ECLIPSE



From the Cleveland News
BOLD, FRANK AND CLEAR

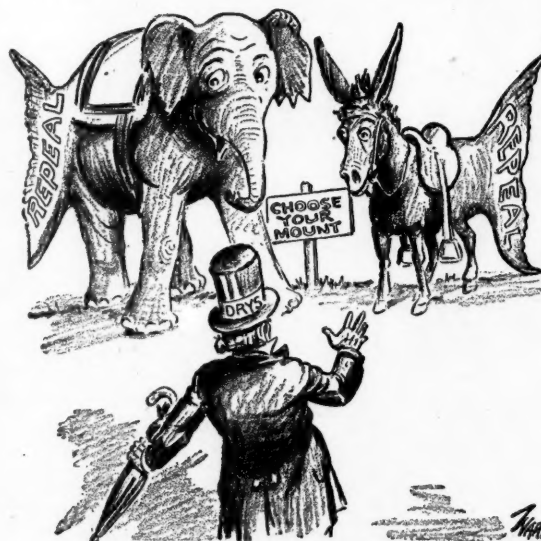
The President's acceptance address declared that neither the old saloon nor the new speakeasy can be tolerated.



By Chase, in the New Orleans Item
THE REPUBLICAN ELEPHANT IS HAPPY



EXPENSIVE AT THAT, MAYBE
By Sykes, in the New York Evening Post



By Warren, in the Philadelphia Public Ledger
MAYBE HE PREFERS TO WALK



© Harris & Ewing

THE PRESIDENT and Mrs. Hoover (center) greeting a crowd of Easter Monday egg rollers on the White House lawn; (left) children presenting Mrs. Hoover with a May Day basket; and (right) the President with his granddaughter, Peggy Ann Hoover, on their way to church.

The Personality of President Hoover

By ROBERT PATTERSON LAMONT

Recently Secretary of Commerce

THE MOST CHARACTERISTIC social gift of President and Mrs. Hoover is their thoughtfulness of others. It is shown in such quiet and unobtrusive ways as not to be noticed at the time except by an effect of serene pleasure in their company. Only by thinking back over the happy hours spent with them does one recall the little touches of real thoughtfulness which gave those hours their pleasure.

The Hoovers are seen at their best at their camp on the Rapidan. There the formalities of official life are laid aside and one sees only the host and hostess interested in the enjoyment of their guests. One feels like a member of the family.

A world of considerate thought for others has gone into producing this atmosphere. The Hoovers have taken pains to make it possible for their guests to enjoy themselves. If one wishes to talk, there is always a lively group to be found somewhere in the camp. If one wishes to ride, horses are ready. If one wishes

to play, there are all kinds of games, from jig-saw puzzles and ping-pong to quoits and archery. If one feels like walking, there are interesting trails to be taken. If one prefers an hour of solitude, there are quiet corners with books and magazines at hand. If one wishes to take a nap, he finds his quarters are quiet and secluded.

The host and hostess follow their own inclinations with equal freedom and naturalness. If the President gets tired of fishing, he will join a group of men in the chairs under the pine trees, to smoke a cigar and share in the conversation or story-telling. His mood shifting, he will try his hand at a jig-saw puzzle. By the time he has made a few moves, a matter of business may call him to the telephone. The business finished, he may invite a group to join him in a climb up the mountain.

Meanwhile, Mrs. Hoover has moved from group to group, pausing to share for a time in whatever they are finding of interest. The thing that strikes one



AT THEIR fishing camp on the Rapidan River in the mountains of Virginia where the President and Mrs. Hoover find summer week-ends of relaxation.

most strongly in all of this is the thoughtful provisions of every means by which their guests may find enjoyment, and the absence of any insistence that other people shall enjoy themselves the Hoovers' way.

This delicate regard for other peoples' freedom to be themselves, and to enjoy themselves in their own way, characterizes all the social relations of both the President and Mrs. Hoover. It is a reflection, in social contrasts, of the President's personal philosophy, which can have escaped no one who has ever read his jewel of compressed thought published years ago as "American Individualism." In that book one may read the soul of the man. Its essence is his profound belief in the sacredness of the individual personality. He resents everything that tends to infringe upon its dignity or to rob its independence. Demanding this respect for his own free spirit, he is punctilious to accord that respect to every other human spirit.

In his working hours this attitude toward others surprises and puzzles. Where most men who have anything like his force of character and positiveness of conviction, seek to accomplish their ends by an overwhelming display of personality, in order to bend other men to their purposes, Mr. Hoover gives a singular, because unexpected, impression of mildness. This is often mistaken for weakness or irresolution. Nothing could be further from the truth. Convinced of the merit of a decision, he has the resolution of a Cromwell and the pertinacity of a Red Indian. But he refuses to win his point by a domineering infringement

upon the soul of an unconvinced adversary. Consequently he will exhaust every art of persuasion to bring agreement. He believes also that no successful action can follow upon anything less than the active co-operation that goes with willing agreement.

Humanly speaking, a most extraordinary phenomenon of our political history has been the President's dealings with the session of the Congress which has just

lately adjourned. The Democratic opposition was in the majority, and consequently in control, in the House of Representatives. The Republican majority in the Senate was often shattered by disagreements among the Republicans themselves. Notwithstanding this situation, which is almost always fatal to the success of a President in gaining the passage of legislation which he urges, President Hoover came through this session with the eventual passage of nearly every measure he had proposed, and in substantially the form in which he had presented it. No such results



have been achieved by a President with a hostile Congress in this generation.

The secret of success lay very largely in the traits of character enumerated above. Adversaries, who were resolved to oppose him to the last ditch, found themselves gradually won away from their resistance by his respect for their opinions and by his consequent tactics of patient reasoning and persuasion.

This alone, however, would not have been sufficient to accomplish his results. To his unique qualities of character the President adds a mind of deep intellectual honesty, broad grasp, profound penetration, sound analysis, and constructive inventiveness. The application of these gifts to the study of government problems, backed by his possession of a vast experience with practical affairs and details of government, enables him to arrive at sound conclusions and sound proposals.

It is this union of persuasive personality and healthy intellectual processes which make the President so formidable in dealing with men. Many an opposition Congressman, who wanted in his heart of hearts honestly to disagree with the President, found himself helpless before this combination of irrefutable logic and personal charm.

I have been astonished to learn that many people who have never seen the President have gained the impression that he belongs to the familiar type of successful men who are heavy, slow, unimaginative plodders. Nobody who has ever had occasion to deal with Mr. Hoover in person on serious business could harbor this notion beyond the first two minutes. The opinion among those who know him well is unanimous that he has quite the most rapid mental processes of any man they ever knew. The speed with which his mind explores the farthest reaches of the most complicated subject matter is the cause of astonishment the first time one observes it, and a source of never ending wonder to those who deal constantly with him.

Another prevalent impression, equally incredible to those who know him, appears to be ineradicable from the minds of some people. This is the legend of the so-called "cold-blooded engineer." No such person exists by the name of Herbert Hoover. The man who gave up a fortune to feed the children of Belgium and paid his own expenses while he was doing it; the man who cannot control the emotion in his voice when he tries to express his sympathy with human suffering, and who therefore seldom dares to speak it out loud. The President who, in the midst of the fearful anxieties of the last three years, has always paused to abstract from his correspondence trinkets and souvenirs which he slips into the drawer of his desk to be handed to children



A QUIET STROLL through the south grounds of the White House.

when they call, as mementos of their visits; the man whose deepest passions are the cause of childhood and the cause of world peace—about such a man no more incorrect notion could be conceived than that he was other than human, sympathetic, and responsive to the tides of a rich emotional life.

The thing that confuses people in their impression of Mr. Hoover is that he is that rarest of combinations, a man of deep sentiment and emotion who is also a man of high intellectual power, and who besides that is a man of practical action.

It commonly happens that men of his intellectual equipment lose the common touch. With Mr. Hoover, the intellectual equipment is placed at the service of his emotions, to devise practical means for accomplishing helpful results. It commonly happens that men of his emotional depth lack intellectual power, or practical balance, or both. He combines all three qualities, and each to a degree that would cause him to be regarded as an exceptional man for that one quality alone. In the combination of these three qualities, all at high concentration and all blended into one personality, President Hoover appears as the unique figure he is known to be—the warm-hearted, high-visioned, powerful, practical builder of institutions and leader of men.

AS A NATION WE ARE UNDEFEATED AND UNAFRAID

Ideals in the Midst of Crisis

By HERBERT HOOVER

THE PAST THREE YEARS have been a time of unparalleled economic calamity. They have been years of greater suffering and hardship than any which have come to the American people since the aftermath of the Civil War. As we look back over these troubled years we realize that we have passed through two stages of dislocation and stress.

Before the storm broke we were steadily gaining in prosperity. Our wounds from the war were rapidly healing. Advances in science and invention had opened vast vistas of new progress. Being prosperous, we became optimistic—all of us. From optimism some of us went to overexpansion in anticipation of the future, and from overexpansion to reckless speculation. In the soil poisoned by speculation grew those ugly weeds of waste, exploitation and abuse of financial power. In this overproduction and speculative mania we marched with the rest of the world. Then three years ago came retribution by the inevitable world-wide slump in consumption of goods, in prices, and employment. At that juncture it was the normal penalty for a reckless boom such as we have witnessed a score of times in our national history. Through such depressions we have always passed safely after a relatively short period of losses, of hardship, and of adjustment. We adopted policies in the government which were fitting to the situation. Gradually the country began to right itself. Eighteen months ago there was a solid basis for hope that recovery was in sight.

Then there came to us a new calamity, a blow from abroad of such dangerous character as to strike at the very safety of the Republic. The countries of Europe proved unable to withstand the stress of the depression. The memories of the world had ignored the fact that the insidious diseases left by the great war had not been cured. The skill and intelligence of millions in Europe had been blotted out by battle, by disease and by starvation. Stupendous burdens of national debts had been built up. Poisoned springs of political instability lay in the treaties which closed the war. Fears and hates held armaments to double those before the great conflict. Governments were fallaciously seeking to build back by enlarged borrowing, by subsidizing industry and employment with taxes that slowly sapped the savings upon which industry must be rejuvenated and commerce solidly built. Under these strains the financial systems of many foreign countries crashed one by one.

New blows from decreasing world consumption of goods and from failing financial systems rained upon us. We

are part of a world the disturbance of whose remotest populations affects our financial system, our employment, our markets and prices of our farm products. Thus beginning eighteen months ago the worldwide storm rapidly grew to hurricane force and the greatest economic emergency in all history of the world. Unexpected, unforeseen and violent shocks with every month brought new dangers and new emergencies. Fear and apprehension gripped the heart of our people in every village and city.

If we look back over the disasters of these three years, we find that three-quarters of the population of the globe has suffered from the flames of revolution. Many nations have been subject to constant change and vacillation of government. Others have resorted to dictatorship or tyranny in desperate attempts to preserve some sort of social order.

I may pause for one short illustration of the character of one single destructive force arising from these causes which we have been compelled to meet. That was its effect upon our financial structure. Foreign countries, in the face of their own failures, not believing that we had either the courage or ability to meet this crisis, withdrew from the United States over \$2,400,000,000, including a billion in gold. Our own alarmed citizens withdrew over \$1,600,000,000 of currency from our banks into hoarding. These actions, combined with the fears they generated, caused a shrinkage of credit available for the conduct of industry and commerce by several times even these vast sums. Its visible expression was failures, bank and business; demoralization of security and real property values, commodity prices and employment. This was but one of the invading forces of destruction that we have been compelled to meet in the last eighteen months.

Two courses were open. We might have done nothing. That would have been utter ruin. Instead, we met the situation with proposals to private business and the Congress of the most gigantic program of economic defense and counter-attack ever evolved in the history of the Republic. We put it into action.

Our measures have repelled these attacks of fear and panic. We have maintained the financial integrity of our government. We have cooperated to restore and stabilize the situation abroad. As a nation we have paid every dollar demanded of us. We have used the credit of the government to aid and protect our institutions, public and private. We have provided methods and assurances that there shall none suffer



By Sykes, in the New York Evening Post

JUST A SAMPLE

A portion of Mr. Hoover's address accepting the Republican nomination for the Presidency, at Washington, August 11.

from hunger and cold among our people. We have instituted measures to assist farmers and home owners. We have created vast agencies for employment. Above all, we have maintained the sanctity of the principles upon which this Republic has grown great.

In a large sense the test of success of our program is simple. Our people, while suffering great hardships, have been and will be cared for. In the long view our institutions have been sustained intact and are now functioning with increasing confidence for the future. As a nation we are undefeated and unafraid. And again, above all, government by the people has not been defiled.

With the humility of one who by necessity has stood in the midst of this storm I can say with pride that the distinction for these accomplishments belongs not to the government or to any individual.

It is due to the intrepid soul of our people. It is to their character, to their fortitude, their initiative and to their courage that we owe these results. We of this generation did not build the great Ship of State. But the policies I have inaugurated have protected and aided its navigation in this terrible storm. These policies and programs have not been partisan. I gladly give tribute to those members of the Democratic party in Congress whose patriotic cooperation against factional and demagogic opposition has assisted in a score of great undertakings. I likewise give credit to Democratic as well as Republican leaders amongst our citizens for their cooperation and their help.

A record of these dangers and these policies in the past three years will be set down in the books. Much of it is of interest only to history. Our interest now is in the future. I dwell upon these policies and problems only where they illustrate the questions of the day and our course for the future. As a government and as a people we still have much to do. We must continue the building of our measures of restoration. We must profit by the lessons of this experience.

Before I enter upon a discussion of these policies I wish to say something of my conception of the relation of our government to the people and of the responsibilities of both, particularly as applied to these times. The spirit and the devising of this government by the people was to sustain a dual purpose—on the one hand to protect our people amongst nations and in domestic emergencies by great national power, and on the other to preserve individual liberty and freedom through local self-government.

The function of the Federal Government in these times is to use its reserve powers and its strength for the protection of citizens and local governments by the support to our institutions against forces beyond their control. It is not the function of the government to relieve individuals of their responsibilities to their neighbors, or to relieve private institutions of their responsibilities to the public, or of local government to the States, or the responsibilities of State governments to the Federal Government. In giving that protection

and that aid the Federal Government must insist that all of them exert their responsibilities in full. It is vital that the programs of the government shall not compete with or replace any of them but shall add to their initiative and to their strength. It is vital that by the use of public revenues and public credit in emergency the nation shall be strengthened and not weakened.

And in all these emergencies and crises and in all our future policies we must also preserve the fundamental principles of our social and our economic system. That system is founded upon a conception of ordered freedom. The test of that freedom is that there should be maintained equality of opportunity to every individual, so that he may achieve for himself the best to which character, ability and ambition entitle him.

It is only by this release of initiative, this insistence upon individual responsibility, that we accrue the great sums of individual accomplishment which carry this nation forward. This is not an individualism which permits men to run riot in selfishness or to override equality of opportunity for others. It permits no violation of ordered liberty. In the race after the false gods of materialism men and groups have forgotten their country. Equality of opportunity contains no conception of exploitation by any selfish, or ruthless, or class minded men or

groups. They have no place in the American system. Against these stand the guiding ideals and concepts of our nation, and I propose to maintain them.

The solution of our many problems which arise from the shifting scene of national life is not to be found in haphazard experimentation or by revolution. It must be through organic development of our national life under these ideals. It must secure that cooperative action which builds initiative and strength outside of government.

It does not follow, because our difficulties are stupendous, because there are some souls timorous enough to doubt the validity and effectiveness of our ideals and our system, that we must turn to a State-controlled or State-directed social or economic system in order to cure our troubles. That is not liberalism; that is tyranny. It is the regimentation of men under autocratic bureaucracy with all its extinction of liberty, of hope and of opportunity. Of course, no man of understanding says that our system works perfectly. It does not, for the human race is not perfect. Nevertheless, the movement of a true civilization is toward freedom rather than regimentation. This is our ideal.

Ofttimes the tendency of democracy in presence of national danger is to strike blindly, to listen to demagogues and to slogans, all of which destroy and do not save. We have refused to be stampeded into such courses. Ofttimes democracy elsewhere in the world has been unable to move fast enough to save itself in emergency. There have been disheartening delays and failures in legislation and private action which have added to the losses of our people, yet this democracy of ours has proved its ability to act.



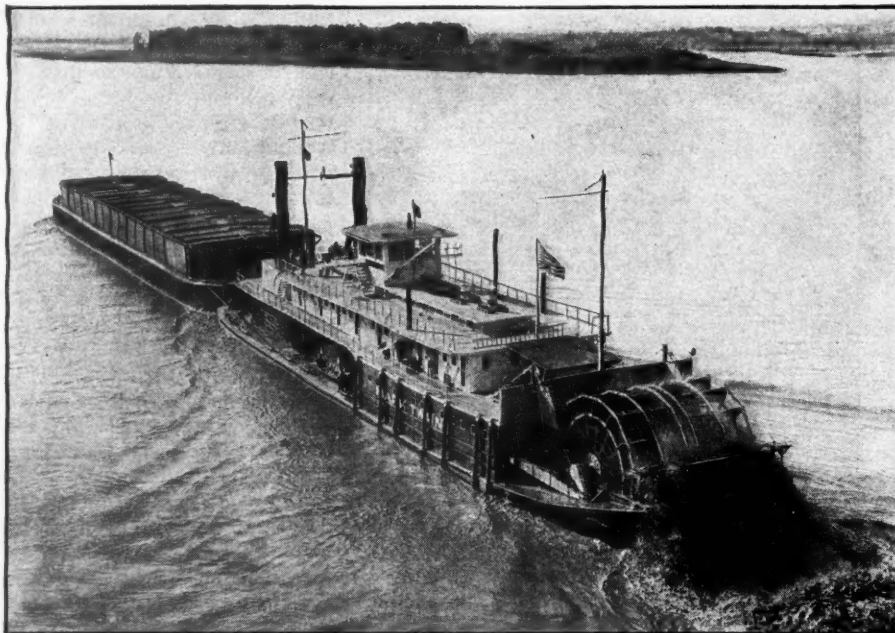
From the Cleveland News

HOLDING UNCLE SAM'S INTEREST

Public Works and JOBS

By PATRICK J. HURLEY

SECRETARY OF WAR



THE "MARK TWAIN" steams up the improved Missouri River in June, with Secretary Hurley on board.

POSTERITY, WHICH RECORDS history in national and not in partisan terms, will hail the Hoover administration as an era of great and useful public works. Particularly will this statement apply to public works on our waterways. During the Hoover administration more money has been spent on the development of inland streams for navigation, more streams have actually been made navigable, more progress has been made toward establishing a national inland waterway transportation system than in any similar period in the history of the Republic.

In June the Missouri River opened its six-foot channel to great power boats from St. Louis to Kansas City. Several weeks earlier the magnificent port of Albany was made a seaport by the completion of a twenty-seven-foot channel. Soon the dream of an inland waterways route from the Mississippi to the Great Lakes will be realized. The Ohio River has a nine-foot channel all the way to Pittsburgh. A six-foot channel on the Mississippi as far north as Minneapolis is in operation, and the engineers are now deepening this channel to nine feet. An intercoastal channel to join New Orleans and Corpus Christi, the cotton port of southern Texas, is well under way. The Corps of Engineers of the United States Army, which is responsible for rivers and harbors work, is considering projects covering more than 200 harbors, nearly 300 rivers, and 50 canals.

The Mississippi Valley, outlet for the granaries of the Middle West, has been a special concern of the pres-

ent administration in its waterways program.

At Kansas City on October 19, 1925, Herbert Hoover, then Secretary of Commerce, said: "A survey of the forces which we have to deal with today will assure us that if we guide our national policies rightly this decade will mark a rebirth of our inland waterways." He then described the development of the Mississippi as follows:

"The Mississippi System and its tributaries form the great series of north-and-south and east-and-west arteries through eighteen of our states. They are declared by our engineers to be feasible of improvement for modern water transportation for a total of 9,000 miles. There lie within these 9,000 miles two of the great trade routes of our nation.

One of them north-to-south across the entire nation; the other east-and-west across nearly half the continent. Therefore, I visualize a great trunk waterway, 1,500 miles in length up the Mississippi and Illinois from New Orleans to Chicago, and extending thence by the lakes to Duluth. I visualize an east-and-west waterway from above Pittsburgh to Kansas City, 1,600 miles along the Allegheny, the Ohio, the Mississippi, and the Missouri.

"These great trunks can ultimately be deepened to nine feet, although the sector from St. Louis to Kansas City will need first to be established at six feet of depth. And in addition to these main stems of 3,100 miles, we need diligently complete the improvement to lesser but workable depths, the 6,000 miles of tributary waterways which lie in the Tennessee, the Arkansas, the Upper Missouri, the Upper Mississippi, the Allegheny, the intercoastal canals and other tributaries.

"We will then have a transportation system of 9,000 miles of trunk lines and feeders, complete and unified within itself. This transportation system will greatly serve the vast heart of American agriculture. It will provide for cheaper bulk commodities from a great hinterland of states to the sea. It will place great commercial and industrial towns with upwards of seven millions of people in the cheapest of communication with each other and with agriculture."

We are happily emerged from that era when waterway developments were regarded from a local and sec-

tional viewpoint. It has become easier than ever to think of them as a unified national asset. The waterways when completed and systematized will not constitute an end in themselves. That development is a part of an economic program designed to promote prosperity for all of the people in every part of the nation. There is some contention that the development of inland waterways will be injurious to the railroads. Railroads are essential to our national life. There is no disposition to injure them. On the contrary, there is an ever-present desire to be helpful to them and to promote their best interests. The development of water transportation, and the consequent industrial opportunities and activities they will bring, will increase railroad transportation. Each form of transportation operating in its own sphere supplements all other forms and adds to their prosperity and usefulness.

The development of inland streams will not impair our magnificent railway systems. The charge that the utilization of such streams will result in loss of revenue to the railroads, to their vital injury, can not be sustained by facts. Statistics prepared by the Chamber of Commerce of St. Louis have shown that far from hurting the railroads, the water competition on the Mississippi River has benefited them. Those railroads which are most intimately in competition with the Barge Line have shown a gain of freight and revenue greater than any corresponding group in the country.

The laws of economical production demand that manufacturing centers shall be located where cheap raw material can be obtained, and where the cost of distribution of the manufactured article is cheapest. When such manufactories are located on waterways, due to cheaper transportation, the competing railroad loses some of the raw material carried by the railroads; but it gains vastly more important and better paying freight by handling and distributing the finished product and meeting the demands of increased population. The transportation system of the future will include all the facilities of rail, water, truck, pipe^oline, and air transportation. The increase in population, in factories, and in commerce will make necessary all forms of transportation and will add to the business of all of them.

Due to the shift in economic currents, brought about by the completion of the Panama Canal, the states of the Mississippi Basin have not had an opportunity equal to that of the rest of the country. Water transportation through the Panama Canal has thrust the Mid-West into an economic setting greatly to its disadvantage.

To overcome this disadvantage, Mr. Hoover, upon his election to the Presidency, outlined an accelerated program for the development of inland waterways in general, the Missouri, the Mississippi, and the Illinois waterways in particular. Herbert Hoover as Engineer, as Cabinet Officer, and as President, has used the full forces of his engineering knowledge, his executive ability, and his official power, to assure the utilization of our inland waterway system, and to overcome the disadvantages under which the farmers, merchants, and manufacturers of the Northwest have been suffering by reason of their isolation from water transportation.

Because of the President's success in creating jobs and stimulating industry by public works, such as the development of waterways, there has grown up a theory that we can build ourselves out of the depression at the expense of the Federal Government. Such a theory makes no distinction between useful public works and wasteful public projects. Wasteful public projects represent so much brick and mortar. Though they offer jobs, they promise no continuous employment.

Though they represent tremendous expenditures, they bring little in return to the public. Government construction projects alone can not overcome depression.

The President has already stretched construction projects to their limit, by increasing the public-works program of the Government from a normal of about \$250,000,000 a year to more than \$700,000,000 in 1932. In trebling construction, the President has insisted that no unnecessary public works be undertaken. He canvassed every department of the Government for such works as could be put in motion, and all of the type of work which is justified is now in progress. He insisted that each job undertaken should give adequate economic returns to the American people.

For the construction of national facilities during the next fiscal year \$782,000,000 has been appropriated. While recognizing the needs for economy and fighting to eliminate waste and duplication, the President still continued to insist upon useful public works to keep men at work and to stimulate industry.

Appropriations made by the Seventy-second Congress for the construction agencies of the Federal Government and the District of Columbia—for construction, maintenance, and repairs—total \$460,000,000. This figure does not include Navy vessels or aircraft. If we add the construction provided for in the Relief Act, amounting to \$322,000,000, we have a grand total of \$782,000,000 for construction of national facilities.

EVERY INTELLIGENT American, interested in our political institutions and our economic system realizes the dangers to our security and our happiness in the presence of a great army of unemployed. We must do everything in our power to keep men at work, earning a living for themselves and their families and enjoying the opportunity for advancement.

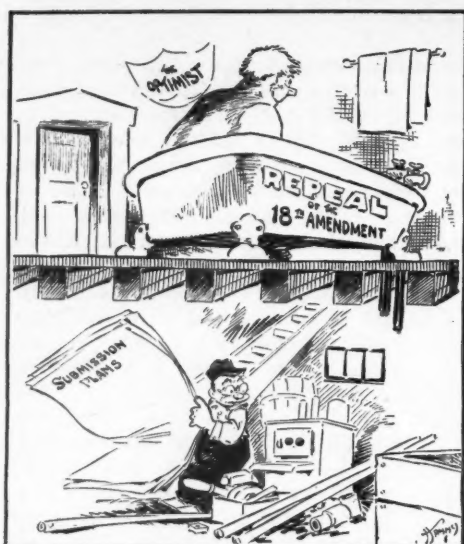
Adding millions to the Government payroll, by building useless pyramids, may create work but it will also deplete the Treasury and increase taxes without any lasting blessings to ourselves or our children. We have expanded useful public works almost to the limit. We must find a better solution for unemployment.

We have accepted all the inanimate economic advantages of the machine age without enough consideration for the human beings who must live in this era. One machine operated by one man may do the work of twenty. It may produce twenty times as many shoes or hats but throws nineteen men out of a job, so that they have no power to purchase the shoes or hats they need. Society must pass along to all the people the profits that it is reaping from mass machine production. We must maintain jobs.

President Hoover has instructed the Departments of Labor and Commerce to study the five-day week and programs of shorter hours as a means of wider distribution of employment. At the White House conferences with employers and labor, more than two years ago, the general policy of spreading available work over the largest number was adopted; and it has been consistently followed by a great many industries.

There are many different methods in different industries to spread work through shorter hours. Some of them have adopted the five-day, the four-day or three-day week; some have adopted six-hour shifts; some are staggering employment; some are using the furlough plan for salaried employees; some of them have suspended night shifts; some are using the flexible week, depending on the volume of business.

Along these lines, we should find a more permanent solution to our unemployment problems.



BUT the
plumbing
isn't in yet!

By Hanny in
the Philadelphia
Inquirer ©

What Shall We Do

THE EIGHTEENTH AMENDMENT and National Prohibition Act have now been in effect for twelve years. Constantly increasing efforts, with increased expenditures, have been made for their enforcement. The facts are reviewed in the Report of the National Commission on Law Observance and Enforcement. They clearly demonstrate that these laws have not been even approximately observed or enforced.

National Prohibition has failed for the same fundamental reasons which caused the failure of local and state prohibition, accentuated by conditions peculiar to the principles and structure of our government. These causes are discussed at length in the Report of the National Commission, and particularly in my special report made a part thereof. Some of the more important may be briefly summarized:

First is the state of public opinion. It is axiomatic that no law can be enforced unless it has the general support of the law-abiding elements of the community. Public opinion was substantially unanimous in support of the abolition of the saloon conducted solely for private profit. It is overwhelmingly in favor of temperance. It is obvious, however, that the present law has not that support in public opinion which is essential to its general observance or effective enforcement.

A second cause is to be found in the operation of the irresistible law of supply and demand. It is a general principle of economics, confirmed by experience, that where a demand exists which can be supplied at a profit, the supply will reach the point of demand. Legal interference may obstruct the sources or channels of supply for a time, and thus increase the cost; but to the extent that there is an effective demand which can be met at a profit, the demand will be met. When national prohibition first became effective, the domestic sources and channels of supply were destroyed. This immediately reduced consumption. But new sources and channels were soon developed—first through importation of liquors and the diversion of industrial alcohol, then through the development of domestic manufacture. We have now reached a point where liquors of varying quality can be obtained anywhere in the country at a constantly decreasing cost.

The third difficulty resulted from the character of the amendment in its relation to our system of government. The Eighteenth Amendment was the first instance in our history in which the effort was made by constitutional provision to extend the police control

of the federal government to every individual and every home in the United States. This was not only a violation of the principles of our dual system of government, but experience has shown that the burden thus imposed is impossible of performance.

The fourth important element in the situation has been the failure of several states to cooperate in the enforcement of this law. The Amendment provided that the federal and state governments should have concurrent jurisdiction for its enforcement, but no power existed in the federal government to require the states to discharge this function. The result is that to a constantly increasing degree the states—except in a few instances—have withdrawn from any effective effort to enforce the law. A number of states, containing about one-fourth of our entire population, have failed to enact enforcement laws, have repealed them, or have taken action looking to that end. The law cannot be enforced without active cooperation of the states.

LET US EXAMINE some of the remedies which have been suggested at various times.

It is proposed by some that the Amendment shall be entirely repealed, and that control and regulation of the traffic in and the use of intoxicating liquors shall be remitted to the several states. With due respect to this view it is subject to serious objections. The states failed in their efforts to regulate effectively this traffic before National Prohibition was adopted. With improvements in methods of transportation and communication, and other social and economic changes within the last decade, the difficulties which formerly confronted the states have been greatly increased.

It may be conceded that each state is entitled to adopt its own policy as to a question of this character, provided it does not thereby trespass upon the right of other states to do likewise. Under present conditions, however, no state which desires to have prohibition could by its own efforts protect itself from the flow of liquor from states which did not desire prohibition.

It is obvious that the state cannot control importation, which involves foreign commerce, or transportation in interstate commerce, which involves movement from or across other states. These activities must be controlled by the federal government. Any effective plan must provide for coordination of the activities of the two agencies—state and federal—within their appropriate spheres of action.

It is suggested that under the commerce clause of the Constitution the federal government could protect the states which desire prohibition, from the flow of liquor from other states. This was attempted without success before national prohibition was adopted. The reason for failure is obvious. The jurisdiction of the federal government, under the commerce clause, extends only to interstate and foreign commerce. Liquor must be in commerce before it becomes subject to this

About Prohibition?

By HENRY W. ANDERSON

Member of the National Commission
on Law Observance and Enforcement
(The Wickersham Commission)

jurisdiction. Experience has clearly shown that once liquor is in commerce it cannot be discovered or controlled. This is especially true with modern methods of transportation by motor car and otherwise.

It is absolutely necessary, therefore, that power be conferred upon the federal government by the Constitution to exercise such control over the source of supply and the methods of handling (including sale and distribution in any state) as may be necessary to enable that government to control the way in which liquor gets into commerce, to identify it while in commerce, and to control its movement. This power must be conferred by some substitute for or revision of the Eighteenth Amendment. The states cannot protect themselves, nor can the federal government do so without adequate constitutional power.

Another serious objection to repeal, without the substitution of some more effective method, would be the loss of advantages gained through the abolition of the saloon and other agencies of this traffic as formerly conducted. Repeal of the amendment would result in their immediate reestablishment in states which did not have prohibition laws. This would lead to lamentable results and seriously obstruct any real solution.

Another group favors repeal with the substitution of some effective measure, in the place of the present amendment and law. The best statement of this position which I have seen was that of the late Senator Morrow, which received strong endorsement. He said:

"I believe that the way out of the present difficulty is to recognize clearly the fundamental difference between the nature of the federal government and the state government. I believe this involves a repeal of the Eighteenth Amendment and the substitution therefor of an amendment which will restore to the states the power to determine their policy toward the liquor traffic, and vest in the federal government power to give all possible protection and assistance to those states that desire complete prohibition against invasion from the states that do not."

So far as it goes the statement is sound in principle and in conformity with our system of government. As a matter of procedure, it seems unnecessary to repeal one amendment and then adopt another in conformity with principles stated. The entire object can be accomplished by one act, by modification or revision of the existing amendment.

If the Eighteenth Amendment were modified to conform to the principles stated by Senator Morrow, it should be made clear that the federal government was vested with adequate power under the new Amendment to protect each of the states in the enjoyment of the policy which it might choose to prescribe within its own borders. So far as possible the exercise of this power should be mandatory upon Congress.

PLAY in
your own
back yard!

By Hanny in
the Philadelphia
Inquirer ©



AS A MEMBER of the National Commission on Law Observance and Enforcement, I undertook in a separate report to develop a complete and detailed plan not only for the modification or revision of the Eighteenth Amendment, but for the regulation and control of the traffic in and use of intoxicating liquors in accordance with such modification if adopted.

I undertook first to ascertain the essential causes for the failure of past systems of regulation and control, and of the present system of prohibition. I then undertook to develop the principles upon which any effective system of liquor control must be based. The conclusion was reached that any plan to be acceptable must conform to the following principles:

It must preserve the benefits gained through the abolition of the legalized liquor traffic and the saloon conducted solely for private profit. From a legal standpoint, the slate is now clean. We must not permit the reestablishment of these agencies, both because of inherent evils and the obstructions which they offer to the development of an effective system of control.

It must be flexible, so as to admit of ready adaptation to changing social conditions and to new methods of violation or evasion. The war between society and lawlessness is continuous.

It must be in conformity with our system of government. To this end it must give the federal government adequate power to control those aspects of the problem which are within its cognizance (such as importation and transportation in interstate commerce); and it must restore and protect the states in their right to determine and enforce their own policies within their own borders.

It must recognize the irresistible power of the law of supply and demand. To the extent that the demand exists and cannot be eradicated, it must be met; but under such conditions that resulting social evils will be progressively reduced to a minimum.

It must take private profit out of the liquor business and thus remove the inducements to increased use, as well as the chief sources of corruption. Failure to do this has been a fundamental defect in past systems.

It must employ the forces of economic law to defeat the liquor traffic by supplying such demand as cannot be eradicated, upon such terms and under such conditions as will render impossible competition on the part of those engaged in the liquor traffic.

It must impose the minimum of restraint upon individuals consistent with effective regulation and the

prevention of intemperance, or of anti-social use or conduct, thus avoiding any just cause for irritation or opposition on the part of the law-abiding elements whose support is essential to the success of any law.

Applying these principles to existing conditions, it was proposed that by appropriate action of Congress and by ratification of the people in state conventions chosen as provided in Article V of the Constitution, the Eighteenth Amendment shall be modified or revised as conditionally recommended by the Commission in its report, to give Congress general power to regulate or prohibit the liquor traffic in the United States and all territory subject to its jurisdiction.

Some objection has been raised that this proposed amendment is too broad and general in its terms. Constitutional provisions should be general, and the language is unimportant.

Objection has also been made to the proposed amendment on the ground that it would result in constant agitation before Congress. To the extent that the subject matter is within the domain of the federal government, there is no agency other than Congress authorized to deal with it by legislation. The matter has been for years constantly before Congress, and there is no way to stop agitation except to adopt some plan of liquor control which is effective and satisfactory to the people.

ASSUMING THAT the Eighteenth Amendment is modified, the question arises as to an effective plan of liquor control which may be substituted for the National Prohibition Act. In response to this necessity, I undertook to outline in detail a plan of liquor control, applying our experience with private ownership of public utilities under government regulation, and in the development of our banking systems.

This plan may be briefly summarized. It was proposed by legislation of Congress to create a national corporation, clothed with exclusive right and power to manufacture, import, and export intoxicating liquors, and to transport the same in interstate commerce.

This corporation was to be subject—as to capitalization, issue of securities, conduct of its business, keeping of it accounts, and other operating details—to a national bi-partisan board of liquor control. The stock of the corporation was to be privately owned, thus keeping the government out of the liquor business. The dividends to be strictly limited to a fixed return upon the capital invested. Surplus earnings would be paid into the federal treasury as an excise tax.

The corporation would be authorized to make sales only to agencies approved by the National Board of Control established by and within states which elected to adopt the system. Shipments into states which desired to continue prohibition would be prohibited.

Any state could enter into the national plan, but it would be required to create a corporation for the sale and distribution of liquor within its borders, subject to regulation and control of a state commission similar to that created for the national system.

All surplus profits of the state corporation would go into the state treasury. Sales within the state could be made only under such conditions as would prevent liquor from getting into commerce and becoming available for shipment to states desiring prohibition.

Any state desiring to continue prohibition would be at liberty to do so. It would be protected from shipments from other states by the federal government and would enforce its own laws within its own borders.

The prices at which liquor would be sold by the national corporation to the state agencies would be pre-

scribed by the National Board of Control—high enough to discourage consumption, and low enough to destroy any profit from illegal traffic.

The plan meets the principles which have been stated as a basis for any effective plan of liquor control under our system of government. It conforms strictly to the limitations imposed by our constitutional system upon the federal and state governments. It keeps the government out of the liquor business by providing for private ownership and operation under effective government regulation. It takes the profit out of the liquor business, thus removing the inducements to increased sale and use. It renders impossible the conduct of the illegal traffic and drives the bootlegger and speakeasy out of business. It gives to the governments, state and national, the revenues from this business to the extent that it cannot be prevented—instead of giving them to those engaged in violating the law, and then spending millions of tax dollars in the effort to suppress crime financed from this source.

OTHER PLANS have been advanced for dealing with this problem, but for practical purposes our present consideration may be confined to the proposals contained in the two party platforms.

The Democratic platform pledges that party to the absolute repeal of the Eighteenth Amendment and the remission of the whole matter to the control of the States. This would put us back where we were before the Eighteenth Amendment was adopted. The lessons of experience are to be ignored. It is true that there are some indefinite promises to endeavor to secure legislation in the states to prevent the return of the saloon; but this means little if anything. No effective method of protecting states desiring prohibition, from the flow of liquor from other states, is suggested.

For reasons already discussed, the federal government would have no adequate power to do this without some substitute for the Eighteenth Amendment. None is proposed. We are to go back to the intolerable conditions which led to the adoption of the Amendment.

The Republican platform does not pledge that party to the support of any plan. It does pledge the party to submit to the people a proposal for the modification or revision of the Amendment, to give to the federal government clear power to exercise such control over the liquor traffic as may be necessary to enable that government to prevent the return of the saloon anywhere in the United States, and to protect states desiring prohibition from the inward flow of liquor.

Subject to the exercise of these powers by the federal government and the protection so afforded, it is proposed to return to the several states the power to deal with this subject within their own borders. This proposal is in accord with the principles above stated, and is substantially the same as suggested in my separate report as a member of the national commission.

The two platform proposals radically differ. One is destructive reaction, the other is constructive progress.

I have endeavored here to present the essential aspects of this important social problem. While I believe that the plan proposed by me is sound in every essential principle, and would be effective in operation and results, I stand ready to support any plan that will preserve what has been gained by painful experience and that promises an effective solution.

It is no time for evading with pious hopes or indefinite promises. The interest of the country demands that we face the present intolerable and even dangerous conditions with courage and clear thinking.

The Racketeer's Army of "Punks"

SEVERAL MILLION MISFITS COULD BE SAVED BY TRAINING

By BURDETTE C. LEWIS

Former Commissioner of Correction of the City of New York;
later Commissioner of Institutions and Agencies of New Jersey

SINCE THE WORLD WAR our great cities have ceased to be melting pots and have become whirlpools. Worse still, these whirlpools constantly grow wider and their velocity ever increases. Under such conditions the church and the home, especially, and other social agencies of the cities, have been caught off center and have been profoundly weakened. As a consequence of their lessened influence the racketeer has been able to use our misfits more and more easily.

The number of misfits in American cities, incapable of continuous employment, or chronically unemployed even in good times, has been estimated at 2,500,000. In periods of depression the number may rise to 5,000,000. In normal times these misfits are a dead load, costing at least \$2,000,000,000 annually, and in hard times they cost at least twice that amount. It is now popularly represented that 40 per cent. of them are under eighteen years of age. If the proportion be that large, then the solution of the problem is much easier.

There are sections of Belgium which have so fully solved the problem of the adult misfit that they are getting through the depression much better than other parts of the world. There part-time agriculture and industry have helped to prevent industrial unemployment from becoming chronic. What in America would be chronic city cases are moved out of the cities, under public control, and there they are built over physically and improved mentally. They are given first part-time and then full-time work, in colonies where they more or less earn their own living. From these, under a ticket-of-leave system, the employable go to work, making their own living until such time as they may be released.

Part-time agriculture and part-time industry in parts of Massachusetts and the Southeast are proving valuable with us. There has been some movement of the unemployed also from cities to the country, where they may win from the soil their own living. Such movements are real beginnings, feeble though they are. Before another winter there should be a wholesale exodus from the cold cities to warmer areas, where men may grow their own living. Plans should be put in operation to make this year's expenditure of \$2,000,000,000 upon the relatively unemployable more productive than ever before. By careful planning, the necessary expenditures for those 4,000,000 to 8,000,000 able-bodied workers who are out of work may be productive of lasting results.

The young misfits should also be put under a regime of training in the country, where they may earn at first a part and then all of their living, and also learn how to become happy and useful citizens. The youthful unadjusted portion of city populations is our chief concern, because it will so vitally condition the next two generations in America.

It has been a simple thing for the racketeer to build up his power by the use of "punks"—as he calls these

misfits—since he does not need to spend much time or money in training them to do the work he assigns to them. In fact, a youth absorbs most of the training he needs, for the racketeer's jobs, just by the mere fact that he lives in a modern city. As a consequence, the racketeer has exploited these more or less helpless misfits without mercy or compunction.

Some "punks" are by nature not very versatile, and have too little initiative. They easily became creatures of habit. In the old days they acquired habits of thought and sobriety more or less by absorption, and could not easily change to the status of parasites and small burglars. Now they acquire the habits of crime and of anti-social behavior, and as creatures of habit they cannot quickly take on the habitual practices of thrift and sobriety.

We have allowed the predominant anti-social forces of our cities more and more to claim the services of the socially and industrially untrained youths.

LET THE DOUBTER and the person who objects to plain speaking turn to *Collier's Weekly* and read a recent interview with the retired "King of New York gangsters," Humpty Jackson, to whom I referred in my story entitled "How Racketeering Began" [July]. Jackson is known in the underworld as a reader of books and a social philosopher. He is indubitably worth heeding:

"The reformers got busy and reformed the country. . . . You got the country full of punks like Herbert Spencer says. They ain't criminals, they're just punks—small-time lawbreakers who really don't have to have any brains.

"Listen, mister! You don't have to have any brains to deliver a case of whiskey. All you need is an automobile. Your customer is a respectable business man, a member of the best clubs and you're minding your own business and the cop knows you're selling it and the customer's buying it, to say nothing of liking a shot himself once in a while. It don't take brains to break a law if you got half the country helping you. And as for these punks who stick up a filling station, or a cigar store or a bank—what's to stop them. The cops? There ain't that many cops in the world.

"Listen, mister! When I was a bad boy in the old days before the war, it took more than a gun and a chance to make a stick-up guy. In those days the punks didn't get into the stick-up business and weren't burglars or racketeers, because it took guts and brains and the public wasn't on your side looking for a chance to cut in on your graft. It took the prohibition law to prove that law and order aren't just a set of rules written out in a book."

In 1910 and again in 1915 the late Chief City Magistrate, William McAdoo, who also served as Police Commissioner of New York City, called attention to what he called the "fish-eyed army of misfits growing up in

A PLAN FOR THE REGIONAL TRAINING OF "PUNKS"

LET New York, New Jersey, Pennsylvania, Maryland, Delaware, Connecticut, Rhode Island and Massachusetts negotiate a treaty under the Compact Clause of the Constitution of the United States, whereby they may pool their efforts to get the unemployed and unemployable out of cities and back to the land.

Let these states include ample provision for training classified groups of misfit youths in practical training schools to which will be sent city youths, not otherwise accommodated, for a period of three years through a prolongation of the compulsory education age and an adaptation of the best features of army training without the weakness of militarism.

Let all such youths be divided according to their peculiar endowments and natural abilities. Then for each group let a conference of experts in pre-vocational, vocational and industrial training (from national, state, city and county educational departments, from training schools for the dependent and delinquent youths, and experts from the ranks of business) work out and supervise the inauguration of practical courses of training.

Let it be the purpose of these training schools to improve the personality of each youth, and to help him learn how to earn a living in at least nine different pursuits within the range of his particular abilities. Let each youth show that he can make his own living while still in school.

Let the particularly capable be drawn off for such extended training as seems desirable and possible, either in existing schools or in a new one established as a memorial to Edison.

Let the federal and state relief funds, the charitable and welfare funds, and public appropriations be diverted to these purposes as far as possible. Let the federal government lend—and in certain cases appropriate—money to pay the construction cost of these great training centers. They might cost \$20,000,000 for each of five localities, and would cost the regions at least \$4,000,000 per year to operate during the first two initial years. Then they would gradually begin to pay their way.

To start the plan, let the Governor of each state in the first suggested region appoint an educator, a military person, a judge, and a business leader to confer with a similar group from other states to work out a plan. This plan should be reviewed by representative bodies of citizens in each state, for presentation to the legislature.

Upon the adoption of a unified plan, in treaty form, let the proposed treaty be presented to Congress for approval as provided in Article 1 of the Constitution.

Then let five of such training centers be established, one for each principal region of the United States, named as memorials to great Americans: Washington, Jefferson, Lincoln, Roosevelt, and Wilson.

American cities." In 1910 the writer had the chance to help guide a three-year study of the whole educational system of Greater New York which was undertaken by a committee of the Board of Estimate and Apportionment, headed by John Purroy Mitchel. Mr. Mitchel had long been interested in this army of misfits, and afterward, as Mayor of New York, he showed how to deal with them constructively. Some forty experts were brought to New York to assist those of the city in building up a twenty-year educational program, which was accomplished not only for secondary schools but also for high schools, training schools, trade, pre-vocational and vocational schools, and to a certain extent for colleges.

Mayor Mitchel, in 1913, appointed the writer as Deputy Commissioner and later Commissioner of Correction, giving him a chance to study the stream of 60,000 misfits passing each year through the courts and correctional institutions of New York City. Our purpose, and that of Dr. Katharine B. Davis and many others, was always to find how the growing youth of New York could be trained by the forces of law and order rather than by those of lawlessness.

Shortly after the end of Mayor Mitchel's term in 1918, the writer was called to New Jersey to become State Commissioner of Institutions and Agencies, a new and powerful department created as a result of a study of the growing problem of dependents and delinquents undertaken by two groups of eminent citizens. One commission was led by the late Dwight W. Morrow and the other by Ellis P. Earle. These wise leaders decided that the problem would require years of study and action and saw to it that the writer and his associates had a free hand to pursue both purposes unhampered by racketeers.

These and other studies demonstrated the nature and extent of the problem. Unworkable prohibitions and

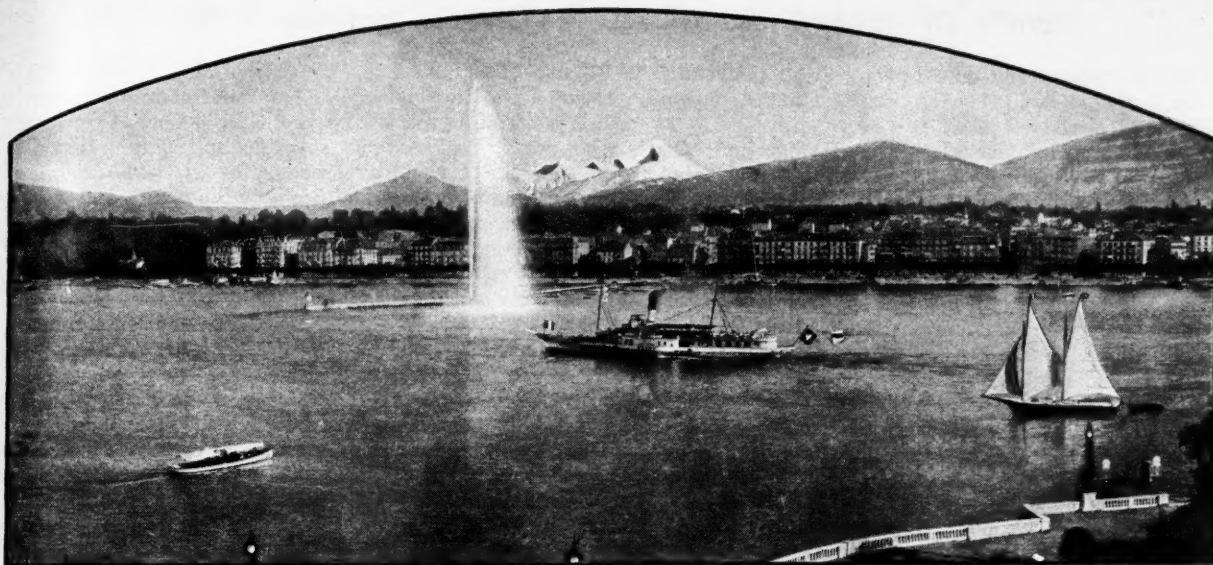
a system of negation have had the inevitable result. Wherever wise training of the misfits had been undertaken—whether in Cleveland, or in Chicago, Jersey City, Boston, New York, or Philadelphia—the good results were almost sensational in their power to reverse anti-social tendencies and the bad habits of the more pliable younger misfits.

The way to fight racketeering is to modify unworkable prohibitions, to unify leadership, opposed to the exploiting gangsters, and to divert the "punks" through training. The "punk" is a creature of habit; he lacks adaptability. He acquires bad habits and cannot change easily. He becomes a mere pawn in the games played by the smart racketeers, who keep in the background but use the "punk" just as Humpty Jackson tells us they do.

In 1924 an old man came into my office to tell me what he thought should be done to train the "punks". He ventured the following: "I read your address as president of the Juvenile Agencies of this country, telling nineteen causes of crime and nineteen things to do. You are right," he went on. "If you train the misfit youth of our cities in a practical way, so they can make a living doing good, they will not follow the criminal road."

"I went to President Warren Harding," he continued, "soon after his inauguration and urged him to establish five great practical training schools in as many sections of the country. I told him to send the misfit youths of our cities to these schools before they have been arrested for crime. Train them practically. They haven't extra good minds but their hands can be trained. They are creatures of habit, they can't change when they get older. Let society train them instead of the big criminals."

He went on: "You don't know me. Twenty-five years ago I was a bandit and (Continued on page 63)



Photograph from Swiss Federal Railroads

THE HARBOR of Geneva, Switzerland, with its famous breakwater and 295-foot fountain, encircled by snow-capped peaks.

Looking On at Geneva

By SAMUEL McCUNE LINDSAY

THERE IS NO legerdemain that will cure the ills—political, economic, or moral—of sick nations and peoples in a distraught world. That is the first great lesson that statesmen and politicians have been learning during the past fifteen years, in the hard school of experience at home in their several countries, and at Geneva in their frequent international contacts. The second is like unto it. There is no single simple formula, to use the pet phrase of Geneva conferences, for the experts and administrators of the new international machinery centering in and around the League of Nations, that will operate automatically to start us on the road to recovery.

Couéism may have its uses for many individuals; it has few or none for nations. The past year has demonstrated that the League, with all its affiliated institutions, is merely suffering growing pains and has not broken down or weakened under the strain to which it has been subjected. Greater unity of purpose, and of method of attack, has been found as essential to success in dealing with the destructive forces of peace as with those of war. The follow-up, the continuous succession of persistent attacks on a widening front, is equally important.

It has been my great privilege to spend a large part of this year in Europe, mostly in Geneva, engaged in academic research in a quiet corner of one of the great secretariats of the League—the International Labor Office. Numerous friends, former students and colleagues, some of them engaged in important official duties in Geneva; contacts with the life and thought of Geneva over a period of nearly forty years; and visits ranging from a few weeks to several months duration in recent years, have all contributed their share to my interpretation of the critical events of recent months. Some of my observations and tentative conclusions I want to share with readers of the *REVIEW OF REVIEWS*, stating them briefly and frankly without pride of opinion or preconceived dogma of any kind.

Geneva has not yet become an Imperial City in the old Roman sense of the seat of world power, nor even a world capital in splendor and outward signs of wealth and social prestige: like London, Paris, Berlin, Washington, Tokyo. It is already something more important, the intellectual center of the new world in which we live. Prime ministers, secretaries of state, ministers of foreign affairs, outstanding and responsible leaders in all walks of life, come and go with such frequency that they enjoy a freedom of intercourse they cannot have at home or elsewhere. It is an open secret that many an harassed minister has found the atmosphere of Geneva conducive to the settlement of a cabinet crisis, or the decision of delicate questions having little or nothing to do with the ostensible purpose of his visit.

The high sounding speeches and epigrammatic phrasing of out-worn political creeds which fill the record of so many meetings of the Council, of the Assembly, of the disarmament and other international conferences, are (like the art of the older diplomacy) meant to conceal thought rather than to elucidate it. Public speech under such circumstances has developed a new technique; it is the art of watching your step before the footlights, of keeping your world-wide audience entertained and interested in what you are there for. The real value of agreements openly arrived at—the new open diplomacy—is directly proportionate to the length of the show, which permits the education of audience and actors to produce the maximum of agreement.

The technical preparation of the agenda of every conference and committee meeting by the experts of the wonderfully efficient secretariats the League puts at the disposal of every important international undertaking, is properly stressed by Geneva and is worth all it costs. But the educational preparation of the actors and, through them, of the public in many lands is of still greater moment. The exchange of confidences in the secret recesses of the corridors and committee rooms, at breakfasts, luncheons, teas, and dinners of a

private character (and sometimes on the golf links) is vastly more productive of realities that determine the rate of progress.

Such indirect influences go even farther and often change the attitude of political parties and whole peoples toward the new international machinery. A notable instance is that of Tewfik Rustu Bey, the Turkish Minister of Foreign Affairs, who for four years has had frequent contacts with Geneva, and latterly has spent some time there in connection with disarmament meetings. He came at first with much distrust of the League, which he viewed like many others as the tool of France and England—to perpetuate their hegemony of the world and the *status quo* fixed by the Treaty of Versailles. Being himself a distinguished geographer with a broad vision of the rôle that Turkey might play in control of the Dardanelles, he found on closer acquaintance with the League the service it could render a small state. It was the informal personal contacts with other leading statesmen and with the personnel of the League secretariats that convinced him of the wisdom of having Turkey become a member. It was no easy task for him to convince his fellow countrymen that it was worth the price of admission—which meant Turkey must settle her age-long differences with Greece, abandon military intrigues and even the ap-

Many other instances of similar import could be cited. None the less striking, if not so dramatic, are the results of a great group of sincere people at Geneva who are trying in their several capacities to lessen the dangers of war, save money for the governments, increase the resources, and promote the health and welfare of the nations represented. On every succeeding visit to Geneva, the more strongly am I impressed with the great value and insignificant cost of the magnificent permanent work carried on by the secretariat of the League and the secretariat of the International Labor Organization. If the League should ever be shorn of its political power and prestige, the world can never afford to give up the international civil service the League now maintains.

Here are several hundred highly trained men and women, all speaking two or more modern languages, recruited from all countries, engaged in practical scientific research in a score of fields ranging from economics, finance, labor relations, social insurance, migration, social statistics, to sanitation and public health. They abjure all national connections and influences and swear allegiance to the international service of the League. I have not found any more able, disinterested, devoted, and unselfish work done outside of a few of the great national universities. I do not know where elsewhere to look for an adequate duplication.

Americans are always pleased to know there are a number of their fellow citizens who serve in the official ranks of League institutions and conferences. There are only a few left in the secretariats of the League and the Labor Organization, since the United States is not a member of either; though at the outset, when it was assumed we would play one of the leading rôles, our representation was much larger. More Americans are found on the advisory and *ad hoc* commissions frequently set up by both organizations for special purposes. Of course at meetings like those of the Economic Conference of 1927, where we had unofficial observers; and the Disarmament Conference of this year, where we had an official delegation, we are expected to take an important part and usually do.

We had an able delegation at the Disarmament Conference. Ambassador Gibson, Mr. Hugh Wilson, our resident Minister to Switzerland, Senator Swanson, Mr. Norman

Davis, and Dr. Mary Woolley represented the united American demand for a substantial reduction of the intolerable burdens of military and naval expense. The members of our delegation spoke frankly and freely when necessary, were equally good listeners, diligent, modest, and gracious in all their social relations, and thus contributed their full share in the give-and-take that Geneva affords. This went on for months, and will go on for months more after the six months' recess the Conference has just taken. It was apparent from the beginning, after the Chino-Japanese affair placed new strains on the League, that nothing but educational preparation for the next step toward disarmament could be accom- (Continued on page 51)



HAROLD BERESFORD BUTLER, British sociologist, who has succeeded M. Thomas as director of the I. L. O. (Above)

ALBERT THOMAS, French director of the International Labor Office, who passed away at the helm. (Below)



pearance of nefarious relations with Soviet Russia, and cast in her lot with a coöperative enterprise for economic stability, social justice, and peace.

Tewfik Rustu Bey succeeded, and Turkey has just been received as the 57th state member of the League. Turkey, Greece, and Bulgaria have agreed to adopt arbitration and disarmament as a national policy. A dangerous sore spot in the Balkans for the breeding of war has been healed. The institutions of the League are strengthened and the national representatives who decide its policies in the meetings of the Council, the Assembly, and the International Labor Conference, are encouraged to push on to the goal of universality upon which a perfect functioning of the League depends.

Greater Britain at Ottawa

By ROGER SHAW

GREAT BRITAIN AND HER far-flung dominions met in an imperial economic conference at Ottawa on July 21. The mighty conclave opened with an address by the Earl of Bessborough, Governor General of Canada; after which the assembled delegates proceeded to elect R. B. Bennett, Canadian Premier, as president of the conference. Said King George, human hub of the British Commonwealth of Nations, in a message sent from London: "The British Empire is based upon the principle of co-operation, and it is now your common purpose to give the fullest possible effect to that principle in the economic sphere." Coöperation in the economic sphere, in brief, means preferential tariffs among the imperial members.

Great Britain is represented at Ottawa by Stanley Baldwin, Conservative leader and Lord President of the Council in the present National Government. Premier Ramsay MacDonald, whose health is not of the best, is detained in London. Canada is represented by Premier Bennett; Australia by ex-Premier Stanley Bruce; New Zealand by ex-Premier J. G. Coates; South Africa (*Suidafrika*) by Finance Minister N. C. Havenga; Newfoundland by L. E. Emerson; the Irish Free State by Vice-President Sean T. O'Kelly. Southern Rhodesia sent Premier H. W. Moffatt as its spokesman; and India sent Sir Atul C. Chatterjee, in lieu of the thousands of Indian leaders who are now resting in jail for their Gandhist independence activities. There is even a battalion of His Majesty's red-coated, fur-capped Foot Guards to lend imperial color—giant six-footers to a man. Proceedings opened in the Canadian House of Commons, with no less than seven British cabinet members in attendance. There was no formal opening prayer, for all creeds from deism to Islam were present.

It was the fifth get-together since the World War. In 1921 little was accomplished; in 1923 the dominions gained the right to make their own treaties; in 1926—most important—the dominions were granted a status formally equal to that of Great Britain within the Commonwealth; in 1930 came a meeting which resulted in the celebrated Statute of Westminster, whereby British parliamentary legislation no longer binds a dominion in any sphere. Today South Africa is insistent upon its abstract right of secession; and republican Ireland has turned its back on royal oaths of allegiance. India continues to seethe and boycott British goods, and the future is uncertain.



MAMMA LION: "Gosh, how those cubs of mine have grown!"

By James Harrison Donahey, in the *Cleveland Plain Dealer*

Economically, Great Britain is an industrial workshop whose logical function is to supply manufactured commodities to the largely agricultural dominions, in exchange for foodstuffs and raw materials. In several cases outside nations compete with the dominions in supplying the needs of Great Britain; while industrial Germany and industrial America have been accused of flooding the dominions at the expense of British manufacturers. Denmark competes with Ireland for the British dairy market; while Argentina runs Australia a close race in beef exports, and Soviet Rus-

sia is said to be out-lumbering the woodlands of Canada.

The free-trade British Liberals and Laborites, or what is left of them, delight in all this. They have no love for colonial entanglements; and believe that Britishers should pay the lowest prices—especially for food—regardless of the source of supply. The British Tories, dating from Disraeli, are extremely sentimental over the imperial bond. It is significant that the present British Parliament has an overwhelming Tory majority, who have a marked weakness for imperial protection and imperial preferential tariffs.

Canada is a wheat country, with furs, minerals, lumber, and fisheries to boot. Australia grows wool, wheat, and meat on a great scale. New Zealand raises sheep, and goes in for dairying. South Africa mines for gold and diamonds; but sheep-raising again figures on the veldt. Newfoundland, British since 1497, is a fishing stronghold from time immemorial. The Irish Free State devotes itself to truck farming and dairying; while the vast Indian Empire (over which King George is *Kaisar*) produces cotton for the British mills, rice, and mineral wealth. Gold and corn, cotton and tobacco, are produced in Southern Rhodesia.

Populations are approximately as follows: Great Britain, 45 million; Canada, 10 million; Australia, 6½ million; Irish Free State, 3 million; South Africa, 8 million; New Zealand, 1½ million; Southern Rhodesia, 1 million; Newfoundland, ¼ million; India, 350 million. In South Africa and Southern Rhodesia, the colored population forms an overwhelming majority—between five and ten Negroes to one white. Canada is bilingual—English and French; South Africa maintains English and Dutch (*Afrikaans*) as official languages; and Ireland uses English and Gaelic.

There are, of course, imperial links besides those of preferential trade. King George is universally re-



By Will Dyson, in the London Daily Herald ©

PRESIDENT DE VALERA of Ireland and J. H. Thomas, British Secretary for Dominions, quarrel to the disgust of their pacific Irish and English steeds.

spected by his loyal subjects of the seven seas; and the present Prince of Wales, by goodwill trips and a genuine democracy, has served to advertise the Mother Country both within the Empire and without. He is said to relish his unofficial title of "super-salesman". The kingship, be it remembered, is the actual legal link between the various dominions, and between the dominions and Great Britain (which is, constitutionally, merely the most populous dominion). George Windsor is thus simultaneously King of Great Britain, King of Canada, King of Southern Rhodesia, etc. In his person he unites these far-flung domains somewhat on the lines of the mediaeval feudal system.

Another all-important link is His Majesty's Navy. All the dominions (excepting Southern Rhodesia) have lengthy sea coasts which must be protected. Several of them have non-empire neighbors whom they eye with suspicion. Australia, New Zealand, and Canada have alien exclusion legislation which discriminates against the yellow races; and Australia, for example, is unpleasantly aware of a haughty Japan which resents such attitudes. But why should Australia bankrupt herself for a huge defense fleet when His Britannic Majesty supplies one to her gratis? New Zealand, too, is an island in the danger zone; and Canada has an extended Pacific coastline. Their imperial enthusiasm is understandably valid. Ireland, in contradistinction, seems to con-

sider the British Navy as more of a liability than an asset. Through Irish history it has played the part of jailer—warding off attempted liberation by Spanish galleons, Napoleonic frigates, and German U-boats. Paradoxically, the great Admiral Beatty is an Irishman from County Wexford.

Ireland and Great Britain came to Ottawa openly on the outs, the result of disputed allegiance oaths and land annuities. In fact, it was at first prophesied that Ireland would not come at all; for there were legalistic doubts as to whether Ireland was still within the Empire since the De Valera Government was busy forswearing its allegiance to His Majesty, the imperial link. Once at the conference, however, proceedings boiled down to a systematic dual between Canada—most loyal of the dominions—and Great Britain. In this most unexpected quarter the sparks began to fly.

Canada, backed by Australia and New Zealand, was demanding British preferentials at the expense of Argentine meat, Danish farm produce, and Soviet lumber. These dominions, indeed, would like to see a complete British embargo of Soviet products. In return for such concessions, the dominions were willing to favor British manufactures. But the British textile mills are in outstandingly bad shape; and Canada has been slow to grant preferences in a line which might facilitate British competition with Canadian industry.

Denmark and Argentina are almost unofficial dominions, so close are their trade ties to Great Britain. British interests reign supreme in Buenos Aires along many economic lines; and your Englishman has a strong cultural and racial kinship to the friendly Danes. Furthermore, the powerful British trade unions feel a natural affinity for the social and economic theories of Soviet Russia. It would not be going too far to add that some Englishmen prefer these foreign countries to their own dominions. In general, Great Britain favors preference through a lowering of tariff walls; while Canada favors preference through a raising of them. Here, as this is written in mid-August, Baldwin and Bennett have deadlocked *pro tem*.

Lord Beaverbrook, Canadian-born press magnate of Great Britain, is the loudest advocate of closer imperial connections. In his London *Express* he flays the honest Mr. Baldwin's moderate policies, and lauds Premier Bennett to the skies. He even asserts that "the leadership of the Empire has passed from Great Britain to Canada."

Such is the Imperial Economic Conference to date. Before its adjournment, at a now uncertain time, much is expected of it. It is indeed something of an achievement to gather together such diverse elements in an abiding amity. The obvious weaknesses of this well-intended coöperative commonwealth may prove to be, in the long run, its extraordinary strength. As a war machine, it is defunct. As an economic machine, it is questionable. But as a sort of sub-League of Nations, it may work out a surprisingly successful destiny based on sentiment.



By A. S. Racey, in the Montreal Star

ADMIRAL NELSON'S famous slogan (1805) as applied to Ottawa (1932).

How Life Insurance Funds Are Invested

By EDWARD M. BARROWS

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SECURITY is the first objective in the investment of life insurance reserves. Next comes the matter of income, for premiums alone are not sufficient to balance the risk. Finally there is the element of liquidity, since the company must at all times be ready to pay either the full claim or its surrender value.

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NO OTHER AMERICAN institution affects as directly as Life Insurance so large a number of people. Sixty-eight million individuals, many holding two or more policies, are using it as a means of saving, of investment, and of protection—which are the three direct services that life insurance offers. Besides these, life insurance companies offer stability, credit, and expansion facilities to many of our major industries.

In the midst of a financial situation that is causing every industrialist in America to examine critically, and somewhat fearfully, the very foundations on which his business rests, life insurance executives are confident that their industry, with investment holdings of \$20,200,000,000, still stands unshaken. They claim that their ability to sail untroubled through the financial storms that rage around them is a vindication of the operating and investment methods developed since the insurance investigations of 1906. Changing the metaphor a third time, they call life insurance "the shadow of a great rock in a weary land."

As this is written, the ascertainable facts of the insurance industry's results do justify the assertions of its leaders. Unperturbed by financial stringency or business failures, the major life insurance companies are meeting their legal reserve requirements, their loaning privileges, and otherwise living up to their undertakings. Their stabilizing influence is bound to be felt in the present emergency.

At the close of last year (1931), assets of fifty-two legal reserve life insurance companies amounted to \$18,500,000,000. These fifty-two companies represent about 90 per cent. of the legal reserve insurance in this country, but they do not include fraternal insurance institutions. Their assets may be regarded as a trust fund held in behalf of 68,000,000 holders of 127,800,000 policies (holders of two or more policies and participants in group insurance plans being included in these estimates). These policy holders rely on the insurance companies to pay over to them the assets as they are legally called for, in death, endowments, annuities and other stipulated ways.

The companies protect their obligations to the policy holders by the maintenance of a legally specified reserve

fund. Part of this fund comes from insurance premiums, and part from the investment of the reserve itself. The investments include \$7,095,000,000 in farm and city mortgages; \$2,986,000,000 in railroad securities; \$1,856,000,000 in public utilities securities; and \$1,123,000,000 in federal, state, county, and municipal bonds. There are other minor investments. Nearly \$3,000,000,000 is on loan to policy holders.

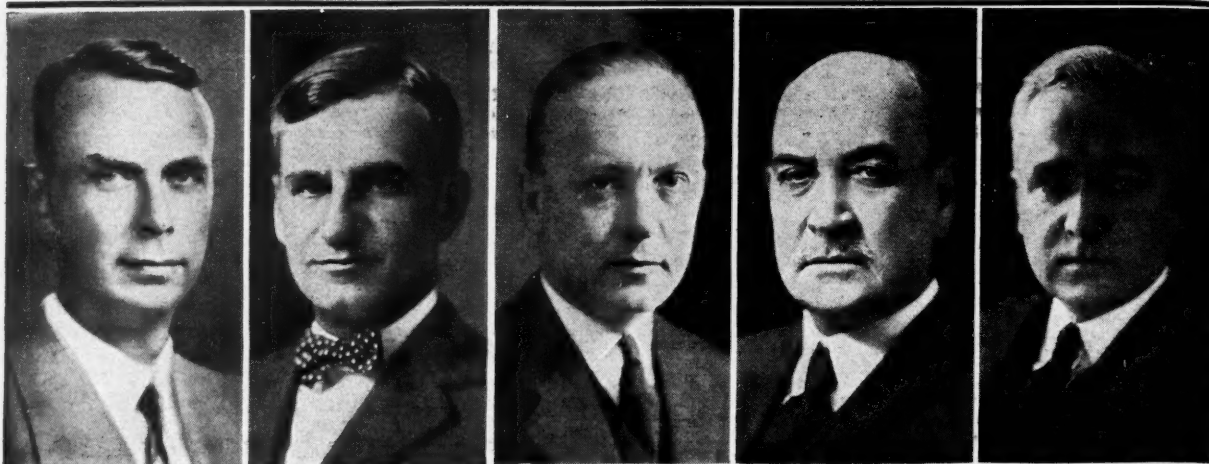
To understand the foundations of the life insurance structure, consider any community gathering of one hundred adults from early to late middle age. You may make many deductions about this group, but of only one can you be morally certain. Within a hundred years every member of it will be dead. If the estate of each member were to receive \$1000 promptly on his death, a fund of \$100,000 would be expended by the time the hundred years were up. If, directly or indirectly, sufficient money to make this possible had been subscribed by the beneficiaries themselves, this would be a fund akin to a life insurance reserve.

It would not be necessary that this whole fund be available throughout the entire period. It would not be necessary that each beneficiary contribute the full \$1000 to be paid at his death, nor even that the whole sum of \$100,000 be subscribed by the group. The legal reserve system, based on centuries of observance of human life, on exhaustive study of present-day industrial and financial conditions, and on scientifically developed administration methods, makes this seeming bit of financial magic possible.

Mathematical deductions of actuaries, based on studies of human longevity, determine with practical accuracy the average number of death claims that must be met within any given year, so that the administrators of the fund will know how much money they must always have on hand. Careful investment of the premiums paid increases the total fund, with its resulting benefit to insurance costs. The administrative system, which includes a rigid governmental supervision, limits the acceptance of risks, directs the course of investments, and brings the possibility of loss to a minimum. These in a nutshell constitute the three major divisions of the life insurance industry.

This is an elementary statement, subject to many qualifications and exceptions, as always when a theory is illustrated by one single example. Safe actuarial deductions are based on the study of millions of lives, not hundreds, for a rare mischance could cause the death within a year of such a complete group as we are considering. Life insurance stability involves large numbers of risks spread over a large area of human conditions. This applies also to the investment of life insurance funds; and therein lies the stability of large, incorporated, nationally operating insurance companies. If they are conservatively managed, nothing but a world cataclysm can shake them.

In a recent address before the Association of Life Insurance Presidents, William A. Law (himself president of the Penn Mutual Life) named seven traditions of life insurance investments, as follows:



M. ALBERT LINTON
Provident Mutual
Life Insurance

MORGAN B. BRAINARD
Aetna Life Insurance
Company

L. EDMUND ZACHER
Travelers Insurance
Company

DAVID F. HOUSTON
Mutual Life
Insurance Company

THOMAS I. PARKINSON
Equitable Life
Assurance Society

THESE MEN—THE PRESIDENTS OF GREAT LIFE INSURANCE COMPANIES—SHOULDER

1. Priority of liens; that is, investing only in first mortgages or their equivalent so far as security is concerned.
2. Invariable amortization of mortgage loans, in order constantly to correct changes or overestimates in market values.
3. Diversified investments, in character, location, and number.
4. Constant analysis and criticism of holdings.
5. Moderation of income yield, as a measure of quality of investment.
6. Charge-offs at frequent intervals, correcting errors of judgment.
7. "Courageous activity, attacking new and difficult problems with vigorous confidence."

The way in which these traditions operate in actual investment is indicated by the comparative table below which shows the distribution by percentages, as well as by actual figures, of certain investments of fifty-two legal reserve companies from 1906 to 1931. Fifty per cent. of the investments were in stocks and bonds in 1906, whereas only 38 per cent. was so invested last year. Striking changes in relative percentages are shown (1) in railroad bonds and stocks, investments in which have changed from 34.8 per cent. in 1906 to 16.2 per cent. in 1931; and (2) in public utilities bonds and stocks, whose ratio of investment has more than doubled, from 4.7 per cent. in 1906 to 10 per cent. in 1931.

These changes manifest themselves only in ratios, however. Reference to the table of actual investments shows that in this period the railroad security holdings have increased from \$1,001,728,000 to \$2,986,000,000. They have almost tripled, in other words, which fact tells its own story of the high regard in which the in-

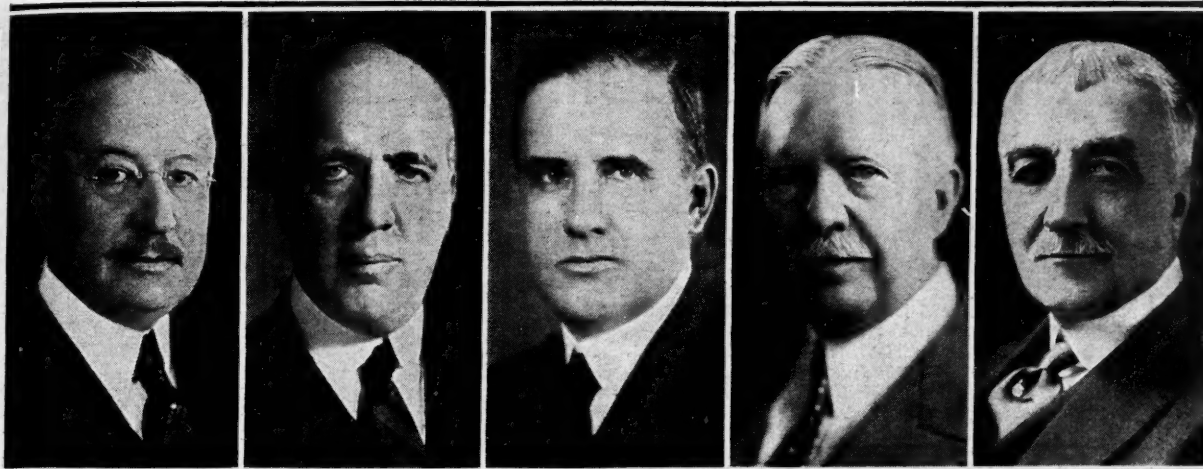
surance investment expert still holds the railroads.

Nevertheless public utility securities, with their investment increase from \$134,056,000 in 1906 to \$1,856,000,000 in 1931, appear to be on the way to approach railroad securities in importance.

Public utilities, as an investment field, present to the insurance investment experts a somewhat different picture. These utilities are under the regulation of state commissions, which define their field of operations and regulate their finances but do not interfere in technical management to the extent the Interstate Commerce Commission does with the railroads. A natural monopoly as far as electric power is concerned, the utilities have always been forced into vigorous competition with other kinds of power, and in managerial foresight they have benefited thereby. "One reason for the increase in our public utility holdings," said a prominent insurance man to the writer, "is found in the constantly increasing ways the utilities companies have developed for using power. Twenty-five years ago the use of electricity was confined largely to lighting and to street railway operation. Today there are a dozen or more ways in which electric power may be used in the home alone, besides its manifold industrial uses. This diversification of product is spreading the demand for power into every phase of life, and increasing its stability as an investment field accordingly."

The preference of insurance men for first liens, and the principle of getting as close as possible to actual sources of production, is shown in the utilities field of investment. They buy preferred stocks and bonds from operating companies only, rather than those of holding companies. They prefer to depend on the revenues that come direct from the power users. This

Life Insurance Investments		Railroad Bonds and Stocks		Public Utility Bonds and Stocks		Farm Mortgages		Total Admitted Assets
How totals and percentages have varied in 25 years, in three major classifications. Figures are of 52 legal reserve companies in the United States.	1906	\$1,001,728,000	34.8%	\$ 134,056,000	4.7%	\$ 268,658,000	9.3%	\$ 2,876,487,000
	1911	1,351,330,000	33.4	166,513,000	4.1	487,156,000	12.0	4,047,997,000
	1916	1,670,486,000	31.3	217,070,000	4.1	795,545,000	14.9	5,346,606,000
	1921	1,718,823,000	22.9	223,605,000	3.0	1,330,589,000	17.7	7,498,239,000
	1926	2,401,141,000	20.2	826,360,000	6.9	1,957,223,000	16.5	11,881,395,000
	1927	2,561,386,000	19.4	1,076,411,000	8.2	1,982,548,000	15.0	13,185,169,000
	1928	2,738,330,000	18.7	1,325,226,000	9.0	1,960,113,000	13.3	14,689,498,000
	1929	2,848,610,000	17.7	1,450,390,000	9.0	1,930,434,000	12.0	16,060,597,000
	1930	2,947,027,000	17.0	1,675,187,000	9.7	1,886,389,000	10.9	17,304,286,000
	1931 (est.)	2,986,000,000	16.2	1,856,000,000	10.0	1,846,000,000	10.0	18,500,000,000



FREDERICK H. ECKER
Metropolitan Life
Insurance Company

EDWARD D. DUFFIELD
Prudential
Insurance Company

WILLIAM A. LAW
Penn Mutual Life
Insurance Company

THOMAS A. BUCKNER
New York Life
Insurance Company

ARCHIBALD A. WELCH
Phoenix Mutual
Life Insurance Co.

GRAVE INVESTMENT RESPONSIBILITIES, SERVING POLICY HOLDERS AND THE PUBLIC

policy extends to municipal power plant securities. Insurance funds are invested in those plants on the same basis as on the privately operated ones, the criterion being only whether the plant is efficiently operated and is enjoying public confidence.

Together the utilities and the railroads absorb more than two-thirds of all insurance investments in stocks and bonds. Almost all the remaining portion invested in securities (other than real estate mortgages) is in municipal, state, and federal bonds, United States and Canadian, with a few investments in European government bonds and a small portion of other industrial holdings in bonds and preferred stocks. Only six-tenths of 1 per cent. of the investment funds of fifty-two life insurance companies is in industrial common stocks.

THE PROPORTION OF investments in farm mortgages is now about the same as it was twenty-five years ago—around 10 per cent. That, however, is not the whole story; for if this is so it is obvious that the actual life insurance investment in farm mortgages has kept pace with the spectacular growth of the industry in this period. The investment table accompanying bears this out. Investments in farm mortgages have increased from \$268,658,000 to \$1,846,000,000 during the time in which the total admitted assets of the 52 companies studied increased from \$2,876,487,000 to \$18,500,000,000.

There are other phases of the story that this table reveals. From 1906 to 1924 the percentage of investment in farm mortgages doubled, from 9.3 to 18.7. Then it declined to 15 per cent. by the end of 1927, after which it took a sharp dip to 10 per cent., where it stood at the end of 1931. These shifts are an example of the operation of the second and fourth of Mr. Law's "traditions"—constant analysis of holdings, and amortization of mortgage loans to correct changes in market value—for farm values have been a most uncertain quantity in the past few years. Uncertain prices of commodities, affected by railroad rates, tariff tinkering, vacillating Congressional policies, the Federal Farm Board's uncertain status, all have added to the farmer's natural difficulties varied by drought and pests.

In an address at the 1930 convention of the Association of Life Insurance Presidents, Walton L. Crocker,

president of the John Hancock Mutual Life Insurance Company, summed up the insurance perplexities over agriculture in these words:

"This agricultural situation is charged with a dynamic quality all its own. The very urgency of its importance has thrust it into the political arena for the discovery through legislation of a cure of an economic difficulty. No one knows what will be the result of the various remedies proposed, but the land is still there and can ultimately be made productive of reasonable revenue. The case is one of readjustment to a different set of conditions, and naturally does not invite the customarily free and unrestricted forward movement of funds."

In city and suburban mortgages, the percentage of insurance reserves invested increased from 19.2 per cent. in 1906 to 28.4 per cent. in 1931. This growth is coincident with many social changes in the relation between town and country. Urban values have increased and become stabilized, due to industrial expansion and to transportation improvements. Life insurance investments have followed the trend. Many insurance companies have encouraged loans to small urban property owners for the building of homes.

Much of the increased percentage of investment in policy loans—from 8.9 per cent. in 1906 to 15.9 per cent. in 1931—is associated with the financial stringency of the past three years. Policy holders have found it easy—and safe—to borrow on their insurance; and it is also a safe investment for the company.

When a policy holder pays his premium, the money is divided roughly among three classes of accounts. One part goes into the insurance reserve. This, as we have seen, is the fund that through investments and premium payments must by law be maintained to cover the ascertained average risks as they occur from year to year. Another part goes for maintenance expenses of the whole organization, including sales, advertising, actuarial and investment staffs, and so on. That part of the premium not required either for reserve or for maintenance expenses goes into a third account, which may be called the surplus. This general outline varies in different companies, but the final administration of life insurance premiums paid usually falls under these three classifications no matter what the various funds happen to be called.

A Plan for Stabilizing Business

By FREDERICK H. McDONALD

HERE IS a business man with a plan for softening, in the future, the hardships of depressions. More than that, he has carefully worked out his plan in its larger details. He would take from the peaks to fill in the valleys. This is the third article in a series, each complete in itself; and the plan has now been presented in full.

STABILIZATION OF BUSINESS should mean that labor, management, and capital shall not be uncontrollably subjected to the hazard of unemployment, lack of occupation, or the loss of returns on use and investment.

Discussions of business depressions invariably breed the thought of the need and desirability of some form of insurance that will provide against entire loss of dividends to capital, and of wages and salary to labor and management, during periods of slack demand.

Due to the vagaries of individual managerial capacity, any form of purchasable insurance would be far beyond the limits of ordinary or reasonable premiums, imposing too large a percentage of recoverable value as annual insurance payments.

Yet the equivalent result is within the reach of every business enterprise!

Somehow, the plans so far developed for self-provided business insurance comprise only some form of deduction from wages, and contribution by management, for the building up of a form of benefit insurance applicable to portions of the workmen alone. Actually, besides the workmen, or labor, there exist both management and capital. These all suffer from lack of employment and loss of income; and no plan of helping one of these triumvirate essentials that does not provide for all can be equitable or sound.

When we say workers, therefore, we must include not only labor but also the management portion of production elements. The so-called white-collar workers, while less in number, are just as badly off when they have no employment. Not to provide for continuity of employment and income to management is as serious as it would be to leave out the greater masses of labor and the always unconsidered element of capital, or the investors.

Our most obvious method of measuring depression is in the count of unemployed workers. But these are only a portion of the sufferers. Whole business enterprises, assets to the community, are slowly wiped out through the exhaustion of too slender resources. Many of these never again operate, and their employment and service and profit-creating functions are forever lost.

In addition, our modern form of corporate structure

has placed the securities of corporations in the hands of millions of scattered holders, large and small, the bulk of whose reserve assets are represented by so-called investments in prior-lien or senior securities. In hard times, these security holders may be entirely without income through no fault or action of their own. The capital structure and corporate procedure we have tolerated is fantastic and unworthy, in the ability of corporations first to sell their securities to a trusting and uninformed public, and then lavishly to pay out surplus

earnings in lush periods at the hazard of income and safety during unprofitable periods. The non-voting security holder is as much entitled to some form of insurance as is the salary or wage earner.

After fifty years of continual effort, labor alone, by its own bootstraps, seldom with the willing coöperation of either management or capital, has placed itself on a plane of recognized value as an essential consideration in our scheme of production and social economy. We must recognize this, in considering the workman's point of view. His past methods of offense have been regarded as obstructive by capital; and labor has regarded the defensive methods of capital as equally obstructive.

This opposition of viewpoint has persisted in spite of the obvious fact that the objectives of labor and capital can be gained only from the same source of profitable production. Their interest in insuring profitable production and in maintaining consumption are identical. Certainly, without the reciprocal purchasing power of a well-paid, large consuming group, capital is helpless to receive a well-paid return for use of its funds in the large-scale employment of wealth.

WE THUS FIND that all society is the victim of depression, and that the entire community rightfully may look to the state for some form of imposed protection against avoidable losses.

In order to achieve a basic stability of the business structure and of the tripod of human elements involved in it, we have suggested [in two earlier articles] that legislation be enacted to compel every profit-making corporate enterprise to set aside, from excess profits only, reserves for the benefit of Labor, Capital, and Management until certain minimum requirements have been met. This is the basis of our recommendation for statutory enactment to provide Compulsory Stabilization Reserve Funds.

Two direct results are contemplated. The first is the better stability of the enterprise itself, through more careful administration and planning of business policies, a longer look to the future, and much less tendency for the creation of burdensome, unrestricted expansion and the premature exploitation of resources by capital. This should result in less of the excess bulges we have mistakenly counted as prosperity, with less of the reaction

called depression. We thus begin to get an effective stability to the individual enterprise, and through all enterprises a more stabilized business structure.

The second benefit from these reserves would be the capacity to provide income to labor, management, and investors when business begins to slacken or technical improvements decrease the demand for manual labor. These payments should not be in the form of a dole to idle, laid-off employees. All qualified employees should be retained, with working hours decreased in proportion to the needs of justifiable production. We thus gain the benefits of maintained income, a reasonable proportion of occupied time, and the advantages of leisure produced by technological advances or decreased working needs.

In order to provide for the better distribution of purchasing power and hence the growth of our more regularized maintenance of consumption and production, we further recommend, after the prescribed totals have been set up as reserves, that subsequent excess profits be distributed on a fair proportional basis between labor, management, and investment. This feature, however, has not been made statutory, but is left for the present to voluntary agreement between owners and employees.

FOLLOWING ARE THE details of proposed legislation: Such amendments are proposed to the constitutions of each state (or such other legislative procedure) as may be effective in producing the following legislation in relation to all state-chartered corporations operated for monetary gain or profit; and the term corporation shall not apply to federal or state governmentally-owned corporations, nor to non-profit corporations; provided, however, that any corporation voluntarily may apply for a new charter to include the provisions of this legislation:

SECTION 1. That all charters granted to new corporations, and all new domestication privileges, shall provide for the creation and maintenance of a permanent liquid Stabilization Reserve Fund beginning not later than at the expiration of two years from the date of granting a charter, and at the time of granting a domestication privilege.

SECTION 2. That within three years after such amendment all existing corporations operating under charters granted by this state or by domestication in this state, again shall be domesticated, or shall apply for and be granted new charters identical with existing charters; provided, that the new charter and new domestication shall provide for the immediate beginning, developing and maintaining of a permanent liquid Stabilization Reserve Fund.

THE NECESSITY for stabilization applies particularly to utility corporations providing basic-needed services, where earnings and operation are regulated by governmental agencies. This stamp of governmental approval makes investment in these securities a natural result of the desire for safety and continuity of income. In addition, workers gauge the stability of the business by the same yardstick, and are content with relatively low pay in return for implied continuity of employment and provisions for old-age safety. It is natural that investors, banks, insurance companies and estates should be heavy buyers, and be content with the low interest rates of the securities of these corporations, and that these companies should be able to employ large masses of not highly paid but satisfied workers.

It is a serious loss of foresight to limit the earnings of

these apparently governmentally-endorsed corporations to a minimum return based on a large volume of business during good years, without providing for the obligatory creation of a segregated liquid surplus reserve to be used in bad years to afford some degree of regularity of income to workers and investors. We may rightly hold our legislators responsible to the public for the imposition of this sound policy requirement that reasonably can be demanded of these railroad, transportation, power, water, gas, and communication industries under governmental regulation.

The above suggests the following special and general requirements:

SECTION 3. That where such corporations are public-service or utility companies, subject to state regulation of operation and earnings, there shall be an allowance in such earnings as will provide for annual payments to the Stabilization Reserve Fund until the total requirement has been reached; that the legal rate of return to such public-service corporation shall be exclusive of such deductions; and all earnings in excess of the legal rate of return also shall be placed in the Reserve Fund, until completed.

SECTION 4. That the Stabilization Reserve Fund for all corporations shall be created by setting aside at the end of each fiscal year all net earnings exceeding a return—hereby designated as a Primary Dividend—equal to not more than the state legal rate of interest on actual invested capital or on the Appraised Value of the tangible assets of the corporation, whichever total be the less amount, until such Stabilization Reserve Fund shall have reached an amount equal to one year's payroll (including wages and salary account) and Primary Dividend requirements.

SECTION 5. That the Stabilization Reserve Fund shall be constituted a fiduciary trust fund, controlled by an administrative board, for the sole account of the workers, the management, and the owners of securities of the corporation; and it shall be subjected to provisions of state laws created for the investment and administration of fiduciary trust funds.

AN ACCEPTABLE INCENTIVE should be given to owners to build Stabilization Reserves by exempting payments to the fund from income tax. This will deprive government agencies of part income during prosperous periods only, when the general tax return should be large. By requiring that a tax be paid on amounts drawn from the Reserve in the year of withdrawal, the government agencies would then receive these taxes during relatively lean periods. There would be a tendency to stabilize governmental income through this method, which is included among the following provisions:

SECTION 6. That such Fund, as an eleemosynary trust, and the income therefrom, shall be exempt from taxation; payments to the Fund shall be deducted from the taxable net income of the corporation in the year of payment, and shall not be taxable; provided, that withdrawals from the Fund shall be considered as net income to the corporation and subject to tax in the year of withdrawal.

SECTION 7. That until the completion of the required total in the Stabilization Reserve Fund all income from investments made by the Fund shall accrue to the account of the Fund; after reaching the required total, all income may be paid to the corporation as general income.

That upon any depletion of the Stabilization Reserve Fund, the conditions previous to completion of the Fund requirements shall immediately apply as regards distribution of earnings, and the Fund shall again be built up as originally provided.

PROTECTION OF THIS Fund from abuse and loss by being used as a working or pledged asset of the corporation, and a control that is representative of all interests, making it impossible for any two—such as management and capital, which sometimes are identical—to combine against the third, are all provided in the following recommendations:

SECTION 8. That the Stabilization Reserve Fund shall be considered as a separate trust fund and not as a working asset of the corporation; it shall not be subject to liens of any kind created by the corporation; and in case of bankruptcy, failure, or liquidation of the corporation, shall be administered and liquidated as a separate asset for the sole benefit of the interests represented in the fund—namely, wage and salary earners, and owners of the securities of the corporation.

SECTION 9. That the Stabilization Reserve Fund shall be administered by a Board composed of three classes, not less than three votes for each class, of representatives in equal numbers of the wage earners as one class, the salary earners as one class, and the security owners of the corporation as the third class. The administration of the Stabilization Reserve Fund shall be controlled by the majority of all votes cast by the members of the Stabilization Reserve Fund Board; provided that each class shall have voted, and that at least one-third of the votes cast by each class of representatives shall have voted with and not against the majority vote.

That the members of the Stabilization Reserve Fund Board shall serve without compensation other than a maximum fee of \$10 per day each for each day present while the Board is in session, plus reimbursement for expenses incurred and approved by the Board; provided that these costs inclusive with office, managerial, clerical, legal and other expense incurred in the operation of the Fund shall not exceed for any annual total the amount of one per cent. of the Fund on hand at the beginning of such fiscal year.

BY THE FOLLOWING recommendation, each of the human elements provided for in the Reserve Fund will be assured of a minimum of one year's income, paid out on a basis of two years time at the maximum rate of half the normal income.

Further, to prevent a situation where the employee may be maintained in idleness, it would be sensible and logical for all employees, under the most extreme conditions, to be retained at half, or proportionately diminished income, but with the number of working hours reduced to meet the requirements of production with the full complement of workers in some degree active. This is left as optional, and is so included in our statutes.

SECTION 10. That the sole use of the Stabilization Reserve Fund shall be for maintaining the integrity and operation of the business of the corporation by the payment of wages, salaries, and Primary Dividends; provided that, except in case of liquidation, in no fiscal year shall more benefit accrue to any class of interest than by the payment of one-half year's normal amounts to each as represented by wages, salaries, and Primary Dividend requirements.

That the Stabilization Reserve Fund Board shall make its own estimate of annual requirements for wages, salaries, and Primary Dividends, but shall not use less than the average of the previous three years

of operations; shall arrive at its own rules governing the character and time of payments from the Fund, and the length of service of benefit employees, but shall not require more than two years total previous employment as a basis for being classed as a benefit employee.

That the Stabilization Reserve Fund shall be an emergency fund, and shall be in addition to any other form of employee benefit or insurance.

MUCH RECOGNITION has been given in the last decade to the benefits that would come from full publicity of corporate conditions and financial operations. We can get this benefit, therefore, and keep all those entitled to participate in the Reserve Fund informed of its status, by the following provision:

SECTION 11. That each corporation shall render the state an annual report, in addition to a statement of financial condition, that shall show separately the invested capital and the appraised value of the corporation, and that the lesser of these has been used as a basis for distributing earnings prior to the completion (or after depletion) of the Stabilization Reserve Fund; it shall show the amount of the Fund on hand and the list of investments thereof; it shall show any expenditures during the fiscal year from the Stabilization Reserve Fund; it shall show the normal annual totals of wages, salaries and Primary Dividend requirements; it shall be required that a copy of such report be mailed, or delivered, not later than the date of filing with the state, to each eligible benefit employee and to each security owner whose address be known.

WE RECOGNIZE that the greatest hazard of statutory regulation is the injection of government into business operation. We have undertaken to limit the function of the government to requiring independent, qualified inspection and reports, with the state having only the authority to enforce compliance with the law. We have also undertaken to eliminate the hazard of bureaus and large numbers of new governmental employees with inquisitive tendencies and sluggish, bureaucratic red-tape operations by calling on the normal functions of a totally non-governmental and quite highly skilled profession in this field. These phases, as well as protection against abuse through inflated operating charges, are secured through the following provisions:

SECTION 12. That Certified Public Accountants shall be the legal inspectors of corporate procedure as related to the creation and operation of the Stabilization Reserve Funds of corporations; each corporation to have freedom of choice of Certified Public Accountants, and no Certified Public Accountant shall have the right of examination except by employment by the corporation or the Secretary of State.

That each required annual corporate report shall be certified by a Certified Public Accountant licensed in this state, who shall be responsible for its honesty and accuracy, and shall be authorized to require legal affidavits to support any statements made in the report not possible of his personal valuation or measure for accuracy.

SECTION 13. That failure to observe the requirements of these laws shall place the power to disburse the net earnings of a defaulting corporation within the authority of the Secretary (Continued on page 52)

This is the third article in a series in which Mr. McDonald has set forth his plan for stabilizing business through a reserve fund. In a subsequent article he will answer questions raised by those with whom he has discussed the plan, and also questions inspired by readers of the series as published here.

Virginia Improves Its County Government

By ROBERT H. TUCKER

Chairman, Virginia Commission on County Government

COUNTY GOVERNMENT, it is universally admitted, is wasteful, unduly complicated, and widely removed from popular control. Its improvement has become a question of nation-wide interest and concern, and movements to this end are now under way in more than a score of states.

The chief problems of county government arise from the form of organization through which the counties are struggling to function. Governmental activities have undergone a vast expansion in recent times. Older forms of organization have proved inadequate to meet the increased demands. Our cities and states have already taken stock of this situation and are rapidly recasting their governments to meet the new conditions. Our counties, however, have continued for the most part in the same position they occupied generations ago.

While the details of county government naturally vary from state to state, the general plan of organization is strikingly similar throughout the United States. This usually comprises some thirty or forty separate and distinct offices, highly decentralized, and subject in the main to no central authority, not even to unified financial control.

There are in the county several hundred officers of one kind or another, some with jurisdiction extending over the entire county, others with jurisdiction limited to their respective magisterial districts. In extreme cases districts for special purposes—such as fire, water, sewer and irrigation districts—have been multiplied to the point where there may be several hundred co-ordinate or overlapping governmental units in a single county. Counties with a score or more such units are common. The situation is further complicated and intensified by the existence of many counties which have not the size or the economic ability to provide the services necessary to meet the requirements of modern community life.

The county thus presents a picture of complexity and confusion which violates almost every principle of sound business organization. Waste and inefficiency are inevitable under the existing conditions. Systematic planning from the point of view of the county as a whole is impossible. Duplication of functions and expenses is unavoidable. Moreover, in the maze of officers, boards, and commissions the people have no means of controlling—or, indeed, of comprehending—the processes of their government.

The conditions of county government in Virginia are simpler than they are in many states. Virginia has never developed the idea of special districts to any considerable degree. Moreover, Virginia is unique in providing for the complete separation of the cities, politically and financially, from the counties in which they are located. Yet it is certainly no exaggeration to say that county government in Virginia conforms in most

particulars to the general conditions just described.

The adoption of the county government program by the Virginia General Assembly of 1932 did not come through revolutionary change. It was preceded by more than a decade of thought and discussion, marked by the publication of several comprehensive reports and the passage of numerous special measures designed to improve the organization and operation of the counties. Under these special measures several counties have developed limited forms of executive control, and one county has adopted a full-fledged county manager plan.

Constitutional obstructions were removed by amendment in 1928, and the General Assembly of 1930 provided for the creation of a continuing commission on county government to study the various phases of the subject and report to the legislative session of 1932. This commission presented a comprehensive program, whose major features were enacted into law.

The central point of the Virginia program lies in the provision for complete forms of county government which may be made effective in any county when approved by the qualified voters of the county. These forms include a "county executive" form sufficiently flexible to be adapted to counties of all sizes and conditions, and a "county manager" form intended especially for urban counties and larger rural counties.

BOTH FORMS require the consolidation of the county functions under a few major divisions, or departments, and the concentration of all the financial and technical affairs under a policy-forming board of county supervisors, limited in number, elected on a county-wide basis and provided with a competent executive head. The officers under the county board are appointed, and salaries replace the fee system as a means of remuneration. The object is to promote unity of effort through the establishment of definite lines of control, to fix responsibility, and to clarify the processes of county government to the people.

The county board is also empowered to transfer, allocate, and consolidate functions; and provision is made for the coöperation of state and county authorities in the appointment and direction of certain local officers engaged in performing services for both the county and the state.

Additional measures provide for the voluntary consolidation of counties, for the joint employment of officers by adjacent counties, or by counties and towns, and for the correction of certain major defects in the existing form of county organization in Virginia. The measures applicable to the present organization are designed particularly to improve financial procedure, to safeguard indebtedness, and to empower county boards of supervisors to exercise a measure of control over the general county offices.

The plans include also the abolition of numerous minor county offices, comprising more than 2,000 officers—such as coroners, constables, and justices of peace—and the transfer of their functions to the proper divisions of the county government.

Other acts of the General Assembly, developed apart from the county government program, abolished the fee system as applied to the compensation of county treasurers and commissioners of the revenue, and placed all local highway systems, comprising more than 40,000 miles of county roads, under the exclusive jurisdiction and control of the state.

The Virginia program is significant both for its contents and for the forces and influences that brought about its adoption. The various bills were not without opposition from interested sources. The legislative session began, however, under conditions of widespread unrest over financial affairs. The demand for curtailment of expenses and reduction of taxes was universal. The conditions and needs in these respects were forcefully expressed by Governor Pollard in his opening message to the General Assembly. The Governor also emphasized the report of the commission on county government, as charting a new course in the development of local self-government in Virginia, and placed the strength of the state administration clearly behind the proposals made in the report. While this report contained a severe indictment of the present organization and operation of county government in Virginia, it contained also concrete recommendations for remedying many of the present defects. These recommendations, as it happened, appealed strongly to the people and to the members of the General Assembly.

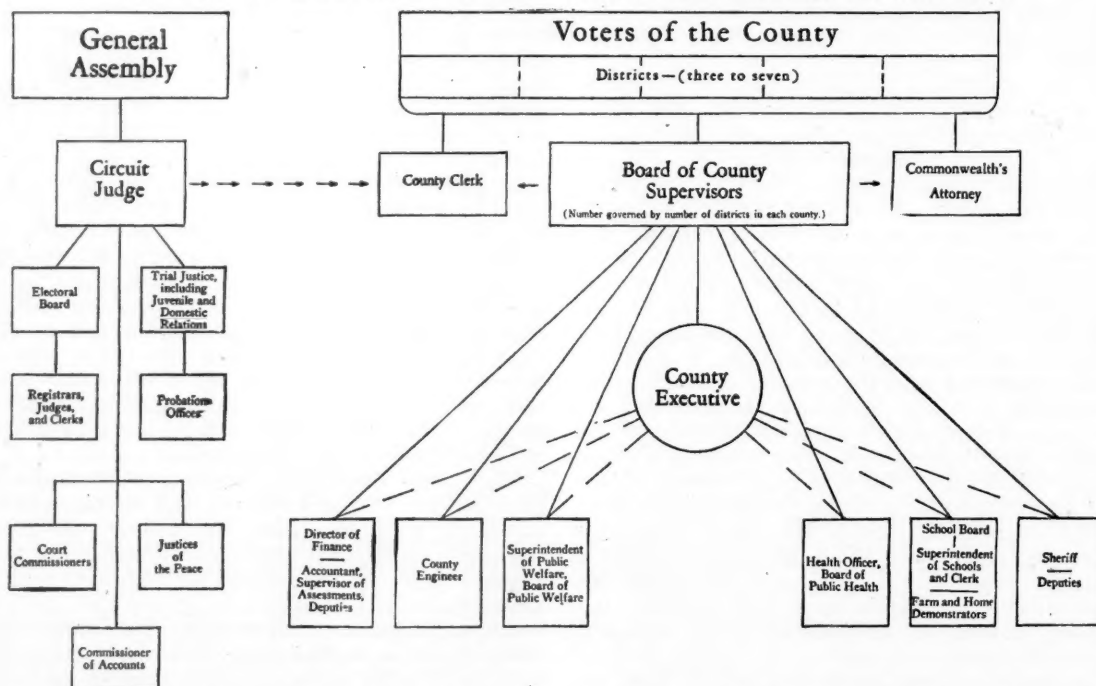
With respect to local self-government, the adoption

of the county road act represents, of course, a reversal of the general trend. In this case the zeal for local home rule was easily obscured and forgotten in the desire for local tax relief. Besides, the measure received sponsorship and support from very powerful sources, led by former Governor Harry F. Byrd. The act makes possible a substantial reduction in local taxation and removes from the county organization perhaps its greatest single source of waste.

The underlying idea of the general program is to promote local self-government by providing sound forms of organization, and then placing responsibility squarely upon the people of the counties. This program attempts to foster local control, with state cooperation, to the end of avoiding unnecessary absorption of county functions by the state. The counties may now choose between a very flexible county executive form; a county manager form; and the present form, with such limited improvements as may be secured through the special measures adopted.

The program may thus be regarded as a significant experiment in rural local government. It opens new opportunities, as well as new responsibilities, to the people of the counties. The rigid requirements of the state constitution have been abandoned. Now for the first time the people of the counties control the destiny of county government in Virginia. The question is whether they will be able to develop and maintain the type of organization necessary to meet the complex conditions of modern community life, or whether the major county functions must for reasons of economy eventually be assumed by the state. The future course of events will be watched with more than usual interest. The counties are now at the parting of the ways.

THE COUNTY EXECUTIVE FORM OF COUNTY GOVERNMENT IN VIRGINIA



VIRGINIA counties may choose one of three plans: their present complex form of government, the flexible County Executive form charted above, and the County Manager form which differs chiefly in the greater measure of authority conferred upon the county manager. Under the two new plans, the board of county supervisors is empowered to transfer and consolidate functions, or to

establish separate departments (1) for assessment of taxes, headed by a commissioner of revenue, or a supervisor of assessments, and (2) for farm and home demonstration work. Appointment of supervisor of assessments, superintendent of public welfare, health officer, superintendent of schools and farm and home demonstrators requires approval by the state department concerned.

A SURVEY OF THE MONTH'S MAGAZINES

Pension or Dole?

BONUS MARCHERS failed to secure immediate payment of their World War bonuses, but the march on Washington—and the subsequent refocused national attention on the whole question of veterans' compensation and benefits. In the August *Vanity Fair*, Marcus Duffield writes bitterly of the seventy-five billion dollar expenditures which will be made, if Congress grants its continued approval, during the coming century:

"Fourteen years after the War it would seem natural that the number of persons receiving war relief should be dwindling. Men suffering from injuries recover, orphans grow up, widows remarry. This, indeed, is the case in England. But the process is just the reverse in the United States: our yearly payments are increasing faster than England's are decreasing, and the number of our pensioners is going up by leaps and bounds.

"The explanation is that while other countries have adhered to the honest pension principle—benefits to war sufferers only—the United States has failed to adhere to the sound tradition, although giving lip service to it. . . .

"The first bulge in the pension roll followed a successful veterans' drive for 'presumptions'. Presumptions are, in this case, manifestos by Congress that certain ailments shall be considered to have originated in the War without the necessity of the veteran offering any proof of such origin. An ex-soldier, for example, who may have been entirely healthy in the years immediately after the War, discovers in himself some neuropsychopathic disorder in 1924; because it has presumptive status he forthwith collects disability compensation from the government on the same basis as a veteran who has been suffering from shell-shock ever since 1918.

"The second batch of new recruits to the army of government beneficiaries were men who wanted free hospital care but could not obtain it because of the rule that only war sufferers were admitted. After pressure by the organized veterans, Congress let down the bars. Now any ex-soldier who has something the matter with him, even if he never got within sound of gun-fire, is entitled to be hospitalized at public expense. He may, for example, develop hay-fever in the summer of 1932; because he had once worn the uniform, he can go to a government sanitarium in Maine during the hot weather and pass a pleasant vacation without spending a cent himself, not even railway fare.

"The pension tradition was thrown entirely to the winds and a whole host were admitted to the easy money in the summer of 1930. Congress decided there was no use quibbling over presumptions

and debating over whether maladies had or had not originated in the War, so it enacted a general pension for veterans who did not feel well. Disability allowances were decreed for service men suffering at least 25 per cent. disability and paying no income tax. Thereafter nobody had to go to the trouble of proving that the War was responsible for his poor health. A soldier hit by a truck while hurrying across Broadway in 1932 would go on the pension roll along with a veteran who got hit by a bullet at Chateau Thierry. . . .

"To keep on pensioning more and more people is a genial practice on the part of the government; it would be pleasant if the government pensioned us all. But to put ever increasing crowds of people on the payroll under pretense of doing justice to our war heroes is highly hypocritical. Stripped of all the flag-waving, sentimentality, and political bunk, the plain fact is that this country has instituted a huge dole system. Perhaps a half million persons are the recipients of government charity not because they are entitled to it on any acknowledged principle, but because, as a bloc, they were able to bluff Congress to pass out public funds."

All Quiet on the Yankee Front

GEORGE E. SOKOLSKY is an authority on China and the Far East. He covered the Russian Revolution in 1917. He does not worry about the United States. Says he, in the August *Atlantic Monthly*:

"In Central America and China, pseudo-revolutions take place which are in reality only substitutes for a general election. The true revolution, however, seems to work according to formula: (1) people are hungry; (2) they are so hungry that nothing but hunger matters; (3) intellectuals speak of the way to the eternal filling of the stomach; (4) the men in the army begin to understand that their relatives and friends are hungry, that even they themselves may soon be hungry; (4) then it is the army that revolts, and the populace follows. If there is no resistance, it is a *coup d'état*; if there is resistance, then often more hunger comes, but there has been vengeance. . . .

"The sectionalism of Congress gives to the United States an unusual security. It makes it possible to know well in advance, in such times as these, what the hungry man wants and what he will do. Representative and Senator hear from the people, who tell them where they get off. I was recently lecturing before a business men's service club in a city in upper New York State. The business men were discontented. They had been led to believe that when the Reconstruction Finance Corporation made the funds of their local banks liquid the banks

would pass credits on to them. The bankers, however, held on tightly to their money, forgetful that money has no value of itself, but only in its uses. These business men were mighty sore, but did they march down their main street, seize the bank, appoint a committee to manage it, and give themselves the credits they required to do business? They did not. Instead, they called their Congressman on the long-distance telephone and told him that if he did not get something done he would not be reelected. This is sound democracy. This is also the sort of thing that prevents revolutions. As long as men telephone to Congress, there will be no street fighting in the United States. . . .

"Revolution, then, is not for the United States. Revolution requires temper, and the American is without temper. He turns on the radio and listens to the mouthings of Amos 'n' Andy. He can smile at a jest while his children are fed in public schools at the expense, often, of inadequately paid school-teachers. He can vote for Tammany officials in New York in spite of his high rents which their extravagance and dishonesty have made inevitable. He can reelect the Congressman who voted for a tariff which has reduced his foreign trade and therefore his chances of recovery. He can even grow enthusiastic over bootleg whiskey. He can argue that the depression hits the rich and poor alike. He still scans the stock-market lists.

"As long as every American believes that he has as many chances as John D. Rockefeller to become a millionaire, to join a country club, and to get into the upper social brackets, he will not become a revolutionist. Hungry, he will pull in his belt. Annoyed, he will vote for a Democrat. Angry, he will demand beer. Despairing, he will telephone his Congressman. He is what the Russians call a Kerenskyist—a man who takes it on the chin, smiling."

Stalin Praises the U. S. A.

EMIL LUDWIG, famous German biographer, visited with Josef Stalin, secretary of the Russian Communist party, in Moscow. Their dialogue concerning the United States has appeared in a Moscow scientific journal, the *Bolshevik*, as follows:

Mr. Ludwig: "I observe in the Soviet Union an extraordinary respect for everything American, I might even say a veneration for everything American, that is to say for the land of dollars, for the most consistently capitalist country. And this feeling exists among the working class and relates not only to tractors and automobiles, but also to the Americans in general. How do you explain that?"

Mr. Stalin: "You exaggerate. With us there is no special respect for everything

American. But we respect the American matter-of-factness in everything: in technique, in literature, in life. We never forget that the United States is a capitalist country. But among the Americans there are many people who are sound and healthy both in mind and body, healthy in their whole approach to work. For this matter-of-factness, for this simplicity, we have sympathy. Although America is a highly developed capitalist country, customs in industry and in the usages in production there contain something of democracy, a thing which one cannot say of the old European capitalist countries, in which there still lives the spirit and rule of the feudal aristocracy."

Mr. Ludwig: "You have no idea how right you are."

Mr. Stalin: "Perhaps I have an idea. In spite of the fact that feudalism as a social order has long since been destroyed in Europe, considerable remnants of it still continue to live in the customs and habits. From the feudal circles there still come technicians, specialists, scholars and writers, who bring feudal habits into industry, technique, science and literature. The feudal traditions are not completely destroyed. One cannot say this in America, which is a country of free-colonizers, without big land-owners, without aristocrats. Hence the powerful and comparatively simple American customs in production. Our economists from the ranks of the workers who have been in America have immediately recognized this characteristic. They have related, not without a certain agreeable surprise, that in the process of production in America one can only with difficulty outwardly distinguish the engineer from the worker. And of course they appreciate this. In Europe it is quite different."

Declining German Capitalism

GERMAN CAPITALISM has ceased to be capitalistic, according to Herbert J. Burghman, who writes from Berlin for the *August Current History*. To quote the comments of Mr. Burghman:

"Profound changes have been taking place in German economic life and in one sense it is quite true that capitalism no longer exists in Germany as it did during the nineteenth century, the only period when it flourished in its pure and unadulterated form. Even a generation ago German capitalism was already losing some of its chief characteristics. Today it retains its profit-seeking motive and still pushes forward along the path of the technological revolution, but with this enormous difference—that it is no longer individualistic and free, but collectivized and restricted in every direction. A system of protective tariffs, monopolies, subsidies and socialization of losses has superseded free competition and individual risk. . . .

"Firms belonging to a German cartel remain legally independent, but are able to exercise collective control of the market by restricting production to

quotas and by fixing prices. Marketing is often left to the central office of the cartels. Prices are usually based on the cost of production in the most inefficient plant plus a profit, although they are sometimes set on a lower scale, and then the cartels subsidize the weaker plants. The cartels thus tend to save all members and prevent the healthy weeding out of the inefficient, with the result that during a crisis efficient and inefficient concerns go into bankruptcy arm in arm. The formation of cartels is not entirely voluntary on the part of manufacturers, but is in part dictated by economic forces. Capital concentrated in giant undertakings makes the risk of free competition too great.

"Whereas the ubiquitous cartels throw the burden of their losses upon the nation by obtaining indirect subsidies through tariffs, other industries are subsidized directly. The most costly of these direct subsidies was in the building trade. German states and cities financed the building of dwellings and even guaranteed the firms a percentage of profit on the cost of construction. This method naturally encouraged waste, the extent of which may be seen from the fact that from 1925 to 1931 nearly \$5,000,000,000 was spent for dwellings. During the same period \$3,500,000,000 went in erecting public buildings.

"More pertinent to the question of what is happening to German capitalism is the fact that the government has gone into business on an enormous scale. A year ago 20 per cent. of the capital stock of corporations was government-owned, and now the percentage is higher. The Reich has a complete monopoly of the railways; the Postoffice owns the telegraphs, telephones and broadcasting stations, and practically all cities own their local gas, water and electric works, street-car and bus lines. The railway monopoly is protected by restrictions on privately owned motor-truck lines; the interurban bus lines are operated by the Postoffice Department. The state of Prussia owns 18 per cent. of all hard-coal mines in its jurisdiction and produces 10 per cent. of the coal; government mines produce one-fifth of the iron ore. Many farms and half of the forests are publicly owned. All larger cities own one or two theatres, at least one bathing establishment and a number of hospitals.

"About 53 per cent. of the banking business was in the hands of the Reich, states, and cities before the bank crisis of 1931. Today the Reich, because of last year's support, participates in the management of nearly all."

Interviewing Von Schleicher

GENERAL KURT von Schleicher, aged 50, is Defense Minister in Chancellor von Papen's German cabinet. He is also a high officer in the German regular army of 100,000 men. He has been of late the supreme power in the Reich—a man of mystery. In a few years he rose from Lieutenant-Colonel to

Lieutenant-General, a Junker born in Brandenburg. An interview with Von Schleicher, who is said to look like Joseph Caillaux of France, is published in *Je Suis Partout*, of Paris. Says the mighty General, in part:

"I greatly admire the French press, for it informs the public objectively. Newspapers willingly reprint the views of their journalistic rivals. I regret that such fair play is impossible in party-ridden Germany.

"It is absurd to believe that I aspire to dictatorship. Dictatorship resting on armed force is bound to fail. Remember Primo de Rivera in Spain. In Germany such a regime would be undreamed of. Only a dictatorship willed by the proletariat can succeed. In Germany there is no such popular demand, so there will be no such rule.

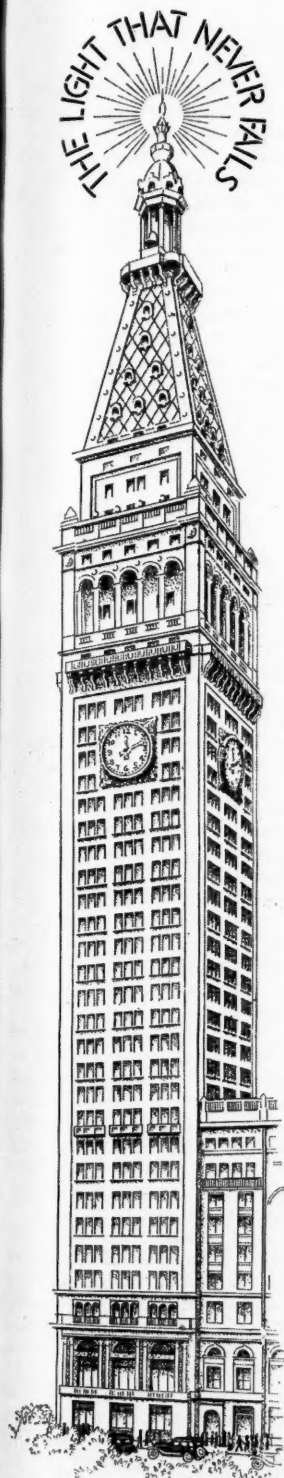
"PRESIDENT HINDENBURG will remain President. A Hohenzollern regency—under the Crown Prince, for instance—is fantastic. If President Hindenburg should be forced to retire from office because of his health, which nobody hopes will happen, another President would take his place.

"I favor parliamentary government, providing it functions. But it must work effectively to make laws, without wasting its time in a squabbling which destroys parliamentary unity. Our nationalist parties ardently desire coöperation with France; and they desire economic agreements with France, which they regard as vital. We have endorsed the Franco-German Economic Committee, organized by your French ambassador, André Francois-Poncet, who has done fine work. France must determine the basis for economic agreement. I repeat that we desire close Franco-German coöperation.

"Real reconciliation between our two countries depends on three conditions relating to the Treaty of Versailles (1919). First, absolve Germany from the charge of starting the World War. Second, end reparations [this was a pre-Lausanne interview]. Third, abolish inequality of armaments between France and Germany. These conditions will place us on a basis of moral equality. The German people are penalized on the charge of starting the War. They are penalized by neighboring countries with larger armed forces at their disposal. Germans are losing interest in the national idea because their army is too small to establish the safety of the Fatherland. A real nation must primarily protect its citizens from their neighbors. Hence the decline of German patriotism.

"What we want is the disarmament of France and the other countries. General disarmament would increase German confidence in the little German army. If other nations refuse to disarm, we should demand in accordance with the Versailles Treaty that we have the theoretic right to re-arm, although this would be well nigh impossible for financial reasons. . . . The Germans desire peace—but they want to live." The Berlin Foreign Office is alleged, according to *Je Suis Partout*, to have disavowed Von Schleicher's "indiscreet" remarks.

Get Readjusted



THE MEN who made the United States the richest country in the world did not go about wringing their hands and quaking in their boots. They worked—whether the going was easy or whether it was hard.

For nearly three years too many men, who themselves have had plenty to eat and to drink, good beds to sleep in and comfortable homes, have spent hours and hours predicting hard luck and disaster.

Last spring such men were saying that the United States appeared to be headed for bankruptcy. Since then the Government has begun to cut its expenses and increase its income. It is resolutely facing its difficulties. There is no reason for anyone to fear that the nation may fail in its obligations, or collapse.

The man who is saturated with gloom spreads it. When he loses his sane, clear-eyed viewpoint he may seek sympathy, but what he really needs is to be shaken out of an unhealthy frame of mind.

And the man who hoards not only robs his family but fails to do his share in promoting normal business and employment of workers. He aggravates the condition which he deplures.

Some men need jobs—need them badly. They must be helped. But more men need to get readjusted to conditions as they exist. These men may need to re-adjust their mode of living or their way of thinking.

Worries fester and grow in the dark. They shrivel and vanish in the light. There are times in every man's life—whether he be strong or weak, brave or cowardly—when he needs the counsel of someone who is unafraid. And there are many who know that our country has battled through difficult periods and has always emerged stronger than before.

Get readjusted.

METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT

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The Government Acts to End Depression

PERHAPS CONGRESS needs a press-agent. It labored long over the details of a Revenue bill and an Economy measure, with more criticism than praise as its reward. Furthermore, the elaborate and prolonged discussion aroused by those two pieces of legislation—and by certain objectionable bills that failed of passage or of presidential approval—completely overshadowed some measures of real achievement.

So we set forth here several of the features of what President Hoover, in his acceptance address of August 11, calls "the most gigantic program of economic defense and counter-attack ever evolved in the history of the Republic."

• • R. F. C. SCOPE BROADENED. The so-called Relief bill, signed by the President on July 21, had three parts: direct relief to destitute; loans for self-liquidating projects; a program of public works.

The second part broadened the lending powers of the Reconstruction Finance Corporation and placed \$1,500,000,000 of new credit in its hands. The Corporation had been in business less than six months, created in the early weeks of this same session of Congress. It had been successful in relieving the financial embarrassment of some banks and railroads. Now it is authorized to extend its lending operations to states and municipalities, and to political subdivisions and public agencies of states. Loans are to be made only for projects which are self-liquidating in character. It is also authorized to make loans to corporations formed wholly for the purpose of providing housing for families of low income.

• • FEDERAL HOME LOAN BANKS. Brought into existence by a bill signed on July 22. The plan was sponsored by President Hoover, as an outgrowth of the White House Conference on Home Building and Home Ownership.

There will be eight regional banks—possibly as many as twelve. Capital of \$125,000,000 will be initially subscribed by the Reconstruction Finance Corporation, but later absorbed by those institutions which become members. Eligible for membership are savings-banks, building and loan associations, and insurance companies.

The purpose is to meet the present emergency, which labels mortgages as "frozen" investments, and also permanently to foster home ownership. Loans will be made only on homes valued at not more than \$20,000. These new banks do not actually lend to the home-owner; they "discount" mortgages held by their members, up to 50 or 60 per cent. of their face value (depending upon the type of mortgage). In no case may the loan ex-

ceed 40 per cent. of the value of the real estate.

A savings-bank, for example, borrows money from the new bank by depositing home mortgages as collateral. The discount banks in turn obtain money by issuing bonds, notes, or other securities to the amount of their loans.

• • FEDERAL RESERVE LOANS to individuals and corporations. Under an amendment to the Federal Reserve Act, signed July 21, 1932, any Federal Reserve bank may "in unusual or exigent circumstances . . . discount for any individual, partnership, or corporation, notes, drafts, and bills of exchange." Previously the system was available only to member banks.

It is necessary (1) that the financial standing of the applicant justifies the credit; (2) that the paper offered is acceptable; (3) that the security offered is adequate; (4) that there is reasonable need for the credit; and (5) that the applicant has been unable to obtain the credit from his own bank.

The individual (or partnership or corporation) must actually own the note (etc.) of another party; or he must offer his own note satisfactorily endorsed.

It is intended that the proceeds shall be used to finance current business operations. Borrowings for speculative purposes or for permanent capital investment—land, buildings, or machinery—are not discountable, under permanent regulations of the Federal Reserve Act; and, except with special permission, the proceeds of this new type of loan cannot be used to pay existing indebtedness to banks.

• • CURRENCY EXPANSION. Passed by Congress in the last days of the session, through the legislative device known as a "rider"—a single paragraph added at the end of the Home Loan Bank bill. It permits national banks for a period of three years to issue additional circulating notes (paper currency) based upon deposit with the Treasury of U. S. government bonds bearing interest not exceeding 3 3/8 per cent. Heretofore the circulation privilege was limited to 2 per cent. bonds. Since another law limits issuance of notes to the paid-in capital of a bank, this currency expansion is itself limited to \$995,000,000.

Its sponsors put faith in promoting trade by plentiful—though "sound"—money. Its critics hold that money is already plentiful, and that business is done by checks and not by bank notes.

• • GLASS-STEAGALL BILL. Signed by the President on February 27.

Five members of the Federal Reserve Board may permit any Federal Reserve

Bank (one of the twelve) to make advances to groups of five or more member banks—and under certain conditions to a lesser number—on their promissory notes "protected by such collateral security as may be agreed upon"; provided that the bank or banks receiving the advances "have no adequate amounts of eligible or acceptable assets available" for ordinary rediscounting.

Further, "in exceptional or exigent circumstances" a member bank (that is, one bank alone) having a capital not exceeding \$5,000,000 (thus excluding large banks), having no more eligible or acceptable assets available, may similarly borrow on its promissory note "secured to the satisfaction of such Federal Reserve Bank."

Critics of this amendment object to the looseness of the security provisions written into the law. Obviously it is intended to bring within the Federal Reserve rediscounting operations certain collateral not previously deemed fit.

The distinction between this emergency financial measure and most if not all others is that the others place the credit of the Government itself back of the lending operations, while this measure affects the gilt-edged provisions of our banking system.

In this same Glass-Steagall bill another emergency provision is included, relating to the issuance of Federal Reserve notes (mostly our \$5 and \$10 bills). Hoarding, and the need of banks to hold large sums of money on hand, had brought about a vast increase in Federal Reserve notes—to \$2,650,000,000 when this new law was passed, from \$1,450,000,000 a year earlier.

Under previous law these notes could be issued by a Federal Reserve Bank in amount equal to the following pledged collateral: notes, drafts, bills of exchange, acceptances, gold, or gold certificates. It will be noticed that this collateral comprises (1) gold or its equivalent; and (2) commercial paper, the short-term obligations of business.

Under the new amendment, and until March 3, 1933, banks may offer "direct obligations of the United States" as collateral for additional Federal Reserve notes. Senator Glass explains his amendment by saying that it is intended "to release about \$800,000,000 of gold held by the Federal Reserve banks, to insure against embarrassment of raids on their gold supply by foreign countries or otherwise." It was passed in the midst of high withdrawals of foreign gold, now at an end.

In effect, it permits United States obligations to be substituted for gold held in excess of the 40 per cent. legal gold reserve.

Looking On at Geneva

Continued from page 36

plished until certain fundamental economic questions were settled; and that these could not be settled until after the German, French, and American elections. Any attempt to define too closely that next step would mean the loss or retardation of larger measures of disarmament well within reach.

It was the International Labor Conference in April—under the inspiring leadership of the late director Albert Thomas and his energetic workers' delegates—that formulated the call which set in motion the machinery of the League to stimulate the work attempted at Lausanne, and to assure the world economic conference which will meet this fall. M. Thomas who had served for twelve years as first director of the Labor Organization, while not so conspicuously in the public eye as his friend Briand, contributed no less to international thought and action. He presented a masterly review of the events of the year as affecting labor and unemployment. This was discussed for four days by 62 delegates representing over thirty countries, to whom M. Thomas declared that the time had come to bring about a united frontal attack against depression.

It led to resolutions asking the governing body of the I.L.O. to prepare for the consideration of international agreements introducing the forty-hour week in all industrial countries; calling on the Council of the League, the member states of the League, and the I.L.O. to speed up financial arrangements for international public works and national works as an aid to unemployment and economic recovery; asking that the League and the I.L.O. contribute their services to the Lausanne Conference to settle the problem of reparations and inter-allied debts; and finally asking the member states to join in the problems of currency and credit, holding a world economic conference with authority to deal definitely with the depression.

The Council endorsed these resolutions in substance and sent them with favorable recommendation to the Assembly and the Lausanne Conference. At Lausanne, ministers made great decisions for Europe and the world. While they settled only the one problem of reparations, they advanced many others toward solutions, including the proposal for the world economic conference on a new basis which is now assured.

It is a pity that M. Thomas could not have lived to see the fruits of the action to which he pointed with such persuasive eloquence. He would rejoice to know that his tragic death in Paris, only a week after the Labor Conference adjourned, has produced a new devotion to his ideals in the minds and hearts of every member of the secretariat of the Labor Office, and in many others in Geneva and elsewhere who have come under the spell of his genius and charm. His friend and co-worker from the beginning, deputy director Harold Beresford Butler, has just been chosen by the governing body to be the new director of the International Labor Office.

SHIP FROM SAN FRANCISCO

Manufacturers and merchants with facilities for shipping from San Francisco occupy a strategic coign of vantage bearing upon two great markets. The reason: This city, located at the Golden Gate, holds in one hand a domestic market of twelve million consumers and in the other the vast population of Oceania and the Far East . . . fastest growing of all of America's foreign markets.

San Francisco is on the median line of Pacific Coast population, which, with its excellent facilities for land and water transportation, makes it the logical distribution point for the western domestic market. And it is the dominant port in trade with the Pacific Islands and Asia . . . reached quicker, cheaper from Pacific ports than any other coastal area of the United States.

Manufacturers and distributors, looking not only to the demonstrated buying power of the western domestic market, but also to the increasing demand of that vast market across the Pacific, know that factories, warehouses and assembly plants in the San Francisco area are best situated to serve both.

The Crocker institutions, at the Port of San Francisco, have been doing business in the principal markets of Western America and across the Pacific for 62 years. Gladly they offer their facilities and experience to aid responsible merchants and manufacturers to extend their activities in these fields.



Write to Business Service Department

CROCKER FIRST NATIONAL BANK
CROCKER FIRST FEDERAL TRUST COMPANY ★ SAN FRANCISCO

Dividend Notice

Common Stock Quarterly Dividend No. 92 of 75 cents per share, payable August 15, 1932, to stockholders of record July 20, 1932.

\$6.00 Preferred Stock Quarterly Dividend No. 100 of \$1.50 per share, payable July 15, 1932, to stockholders of record June 30, 1932.

Dividends on the foregoing issues, as well as on all the outstanding Preferred issues of the subsidiary companies (whose common stocks are owned by Pacific Lighting Corporation) have been paid without interruption since the initial dividend.

PACIFIC LIGHTING CORPORATION

AND SUBSIDIARY COMPANIES

Consolidated Statement of Revenues, Expenses and Cash Dividends for the Twelve Months Ended June 30

	1932	1931
GROSS REVENUE	\$47,811,201.93	\$46,703,890.91
Deduct Operating Expenses and Taxes	25,399,686.99	25,306,122.26
NET INCOME BEFORE BOND INTEREST	22,411,514.94	21,397,768.65
Deduct Bond Interest	5,495,265.98	5,673,530.26
NET INCOME AFTER BOND INTEREST	16,916,248.96	15,724,238.39
Deduct		
Depreciation	6,978,851.83	6,945,262.02
Amortization	275,329.47	351,326.03
NET INCOME BEFORE DIVIDENDS ON PREFERRED STOCK OF SUBSIDIARIES	9,662,067.66	8,427,650.34
Deduct		
Dividends on Preferred Stock of Subsidiaries	1,895,041.38	1,987,714.67
Dividends on Minority Interest in Common Stock	413.60	817.46
NET INCOME FOR PACIFIC LIGHTING CORPORATION	7,766,612.68	6,439,118.21
Dividends on Preferred Stock	882,245.92	832,864.10
Cash Dividends on Common Stock	4,825,893.00	4,825,893.00
REMAINDER TO SURPLUS	\$ 2,058,473.76	\$ 780,361.11
Per Share Balance Available for Dividends on Common Stock Equals	\$4.28	\$3.49
Special Reserve (not included in above report of revenue) of amounts collected under certain rates in litigation	\$1,470,609.85	\$ 779,792.58

PACIFIC LIGHTING CORPORATION, 433 CALIFORNIA ST., SAN FRANCISCO

A Plan for Stabilizing Business

Continued from page 44

of State, or other duly constituted officer, until failure is remedied; that upon the written application of not less than 10 per cent. of the wage earners, and (or) salary earners, and (or) owners of the securities of any corporation, such duly constituted officer of the state shall appoint two other disinterested parties who, with himself and under suitable compensation, shall act as a Stabilization Reserve Fund Board of Review to determine the reasonableness and honesty of intent of the operating costs of the corporation; and the Board of Review after hearing all interested parties, may require such modifications in operating charges as appear justified.

THE PRECEDING PROVISIONS are condensed drafts of each of our statutory recommendations. We have avoided the mistake of assuming that the correction of existing economic evils implies the need of the injection of government into private business in any regulatory manner that will affect individual freedom. The progress of this entire nation has come about through the inherent privilege of personal enterprise to respond to the need and the opportunity of a given moment, exercising the utmost freedom of judgment and initiative. We seem to be on the eve of realizing that greater disaster has resulted from the bureaucratic, unpliable, and plenary restriction of this freedom than there can possibly be in the exploitation of an awakening public through any large business activity, merely because of its size.

Many efforts toward stabilizing the individual are revolving around unemployment insurance for the benefit of a limited portion of the labor class of employees. It seems highly essential, here, that the point be made that no stability is possible to any element of the structure without the stabilization of the structure itself. Of course, the individual will become stabilized when his income becomes stabilized. This income, however, whether it be from labor, service, or the use of accumulated wealth, is all derived from the business activities of the nation. Stabilization of income does, in turn, react to stabilize business. But we must begin to stabilize business before the first cycle can start. This means that stabilizing the entire business structure is the problem, and that from it we begin to derive the other benefits we seek. Hence the need, and the first effect, of our reserve provisions.

With something akin to a feeling of fearful uncertainty as to the future, we all realize that the present condition of business creates a demand for changes in methods and the order of operation. The old, to some extent, must go. Our plan follows the theory that there can

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year one volume appears—here we have printed those for 4 years in 8 handy, paper-back volumes. We will send you the eight books for only \$1.00.

be no change in results unless there be actual change in business procedure.

Our plan is adaptable as corporate policy by most enterprises immediately, and can be bolstered up by legislation to take care of the evaders and the weak of intent. Regulated public-service enterprises will, of course, have to await or encourage legislation, or secure the approval of regulatory commissions. To these regulated enterprises, the voluntary participation suggestions would not be specifically applicable in view of the uniformity and controlled levels of their operations. The legal reserve, however, eliminating present recapture iniquities, should be curative of many problems.

It is well to regard the suggestions in this plan in principle only, and not as the final form, which can come only after careful research. Obviously there is no need for argument as to the desirability and safety of being ordinarily thrifty, of living within a normal average income, and of saving something from excess earnings to apply to lean periods. This is the crux of the plan. Once this be granted as stabilizing in effect, the move to make it a requirement to engage in business under state license, where more than private affairs are affected, becomes only a matter of policy and method, and not one of question as to soundness, or the value of its beneficial effects.

CONTRARY TO POPULAR impression, the effects of the workings of economic conditions are neither fixed nor unalterable. These are merely the reasonably expected reactions from people subjected to given or customary conditions of earning and improving their living; and known effects are produced from these circumstances. We have only to change the conditions to change the effects. The need and the value to the human race of making more than a bare living, or of more than just meeting the cost of operating, by the addition of some extra benefit, or profit, is basic in any progressive society. It is abuse that breeds disaster. Enlightened control of the opportunity for profit, and control of the disposition and use of profit, can result in the most inspiring rewards in social stability, security and development. We can all gain in this, as we each practise it—no more, no less.

In "The Education of Henry Adams" we find this observation: "Safeguards are often irksome, but sometimes convenient; and if one needs them at all, one is apt to need them badly." We have accepted fire prevention methods and fire insurance as a moral as well as a business obligation—even though they cost money. Can we afford to question the premium of mere self-control and a more rational profit disposition, as too high a price to pay for a better degree of economic security—with almost limitless benefits?

Through the mist that surrounds us just now we can discern ahead of us a faint red gleam signalling extreme danger of some kind on our old, accustomed road to progress. Our natural tendency is to shut our eyes and gropingly to feel our way ahead, searching out the long-familiar ruts for guidance. Regretably, perhaps, but surely—the ruts and the old road are washing out!



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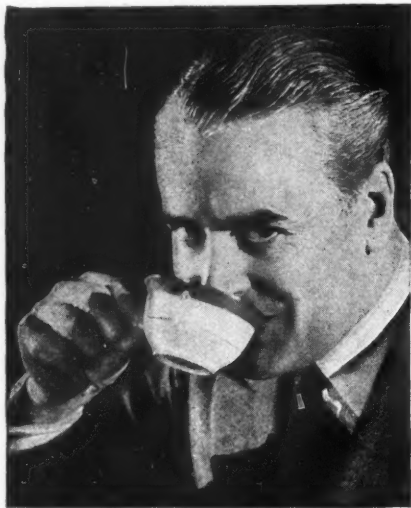
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\$30,000

The March of Events

Continued from page 20



For a Cup of Coffee

A national organization of coffee blenders appropriated the sum of \$30,000. to defray the cost of an investigation into coffee making. A leading scientific university conducted the investigation. After 18 months of research the committee gave a definite answer to the question "What is the best method of making coffee?" Their report was practically a description of the principles followed in the General Electric Hotpoint Coffee Maker.

Coffee should not be boiled . . . the water should pass over the coffee only once . . . and not remain in contact with the grounds more than 3½ minutes. If these rules are not followed . . . you are not getting the full, delightful flavor and aroma of your favorite brand.

The new Hotpoint Coffee Maker follows these rules of science to the letter. It employs an improved vacuum application of the drop system. That's why it gives you perfect coffee every time, without possibility of failure.



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Other models up to \$17.95

GENERAL ELECTRIC

Hotpoint
COFFEE MAKER

Section E-719, Merchandise Dept.
General Electric Co., Bridgeport, Conn.

I would like to receive more information concerning the General Electric Hotpoint Coffee Maker.

Name _____
Address _____

THE IMPERIAL Economic Conference opens ceremoniously in Ottawa (July 21). Great Britain, India, and the seven dominions are represented in this united effort to secure prosperity through preferential tariffs. (See article, "Greater Britain at Ottawa", page 37.)

THE WORLD Disarmament Conference, in session at Geneva since last February, moves to adjourn (July 23) for a long six months' recess. Its seeming inaction has, at least, resulted in a thorough airing of arms programs. Concrete results are expected next winter, for world public opinion strongly favors weapon-shedding.

SENATOR BORAH, Chairman of the Senate Foreign Relations Committee, in a radio talk (July 23) proposes an international conference to deal with all questions relating to world economic recovery, including German reparations, European debts, disarmament, gold and silver.

THE UNITED STATES accepts (August 2), through Acting Secretary of State William R. Castle, Jr., the invitation from the League of Nations, officially received July 29, to attend the International Monetary and Economic Conference of the League of Nations. Terms laid down preclude discussion of debts, reparations, and tariff rates. The conference will deal with problems of exchange, embargoes, import and export quotas, tariff policies generally, and credit policies. It will probably meet in the Fall.

THREE YEARS of observing the Kellogg-Briand peace pact have left the American people determined "that the new order represented by this great treaty shall not fail," Secretary Stimson says (August 8) in a radio address reviewing the treaty's operation. His speech has three definite reactions abroad: (1) Japan, believing that it contains unfavorable inferences toward her Manchurian operations, plans a protest to the United States government; (2) France assumes that the speech indicates American acceptance of the principle of consultation between nations in the event of possible war; (3) At Geneva, the League of Nations hopes it indicates Washington's possible sanction of a consultative pact in connection with a disarmament treaty.

Events Abroad

Temporary military rule and an election in Germany . . . Bolivia and Paraguay at war . . . Spanish revolution.

THE LIBERAL Prussian state cabinet is ousted by the German federal cabinet of Chancellor von Papen (July 20); and Von Papen himself supplants Otto Braun as Prussian Premier. Franz Bracht, former Mayor of Essen, is appointed as Von Papen's deputy commissioner. Prussia and the German federal government are now bound together, as they

were under the German Empire, by an interlocking directorate. The Prussian Diet had been deadlocked in party strife.

THOUGH there has been no formal declaration, a state of war is reported to exist (July 30) in the Gran Chaco, between Bolivia and Paraguay. Mobilization goes on with enthusiasm in both republics. Meantime the foreign offices of Brazil, Argentina, Chile and Peru exert pressure toward peaceful settlement. At Washington, Cuba, Mexico, Colombia, Chile and Peru constitute a committee of neutrals of all the Pan American Union countries also working for peace in the Chaco trouble. The nineteen nations of this Union send an identic note to Bolivia and Paraguay presenting another plea for peace (August 3) announcing that they will not recognize the results of a victory won through use of force.

IN A German general election (July 31) the Hitler Fascists increase their Reichstag representation from 107 to 230. The Communists gain 12 seats; the Catholic Center gains 9, the Social-Democrats lose 10. The small conservative parties are virtually wiped out. Hitler fails to obtain a majority in the new Reichstag, which will total 607 members. The Von Papen cabinet, which is strictly non-partisan and enjoys no parliamentary support, took no part in the electoral campaign. On August 9, it decrees the death penalty for political rioters whose activities result in fatalities, whether premeditated or not.

What About Your Present Security Holdings?

Both values and quotations are changing rapidly. Are some of the issues you hold being weakened or are they being strengthened?

You can improve your position and benefit greatly by checking over your present list in the light of certain principles explained in our leaflet "How Can I Improve My List." Write for a free copy. It will be sent without obligation.

Babson's Reports

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CIVIL WAR in Sao Paulo, Brazil, against the Vargas Government, starts its fifth week (August 6) with victory for neither side in sight. This struggle is described as the most intense conflict in the recent history of South America.

AN UNSANCTIONED monarchist revolt in Spain (August 10) is promptly crushed by the Republic. All elements—even the Catalan and Syndicalist opposition—rush to the support of the beloved President Zamora. The monarchists, under reactionary General Sanjurjo, hold Seville for a few hours. The Republic, having greatly reduced the old professional army, is disliked by the grafting military unemployed. Under King Alfonso there had been a commissioned officer for every half-dozen privates!

Business

Proposed merger of eastern railroads . . . Chicago Board of Trade reprimanded . . .

THREE HUNDRED railroads are affected by the Interstate Commerce Commission's ruling (July 21) that all eastern railroads except those in New England may be consolidated and reorganized into four great rail systems. Under the plan, similar to the five-unit plan advocated in 1929—the four lines would be the New York Central, the Pennsylvania, the Baltimore & Ohio, and the Chesapeake & Ohio-Nickel Plate systems. They would control a total of 55,000 miles of trackage with assets worth \$10,000,000,000.

AN AGREEMENT between American, British and Rumanian oil producers is reached (July 23) after a four-week conference in Paris. The statement issued is general, with this important passage: "Stabilization will be obtained by reciprocal engagement to respect relative positions as regards exportations of both groups on the markets". This is generally interpreted as meaning cutting of production and raising of price. The conference was interested only in markets outside America.

THE CHICAGO Board of Trade is ordered suspended for sixty days (July 23) by a Federal Commission composed of Secretary of Commerce Lamont, Secretary of Agriculture Hyde, and Attorney General Mitchell, the suspension to take effect August 6. On July 29 the Board files a petition in the U. S. Circuit Court of Appeals, asking for a review of the Federal Grain Commission's order. This automatically postpones the closing.

ROBERT P. LAMONT resigns as Secretary of Commerce (August 3) to re-enter private business, which had occupied him until he became a member of Mr. Hoover's Cabinet. President Hoover announces his successor simultaneously with the resignation: Roy Dikeman Chapin, a Detroit citizen and chairman of the board of the Hudson Motor Car Company.

THE STOCK MARKET in New York sees its wildest day of trading (August 8) since the crash in the fall of 1929. There is a sale of 5,462,000 shares. For a month the price level has been rising, after nearly three years of decline.

Achievement in Public Service

IMPROVED service at reasonable rates to an increasing number of customers—this has been the aim and accomplishment of the Associated System. This achievement is recorded in the following facts:

352,109 new customers not previously served by the same properties have been added since 1925.

Service to rural areas is now supplied in scores of communities where none or very inadequate service existed before.

\$79,000,000 for new construction since 1928. Provision for replacement of worn-out equipment \$9,754,000 in 1931.

17.8% increase in use of electricity per residential customer since 1929.

12% average decline in rates for residential electricity during the last four years.

\$7,366,531 for taxes paid or accrued by Associated System in 1931.

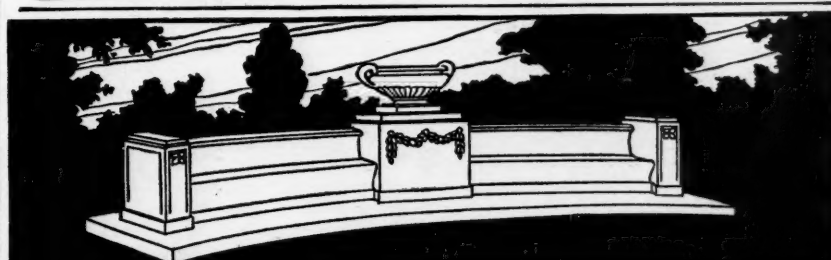
● All these factors are evidence of the System's success in providing satisfactory utility service for 6,200,000 persons in 3,000 communities. The Associated System offers this accomplishment as an achievement in public service.

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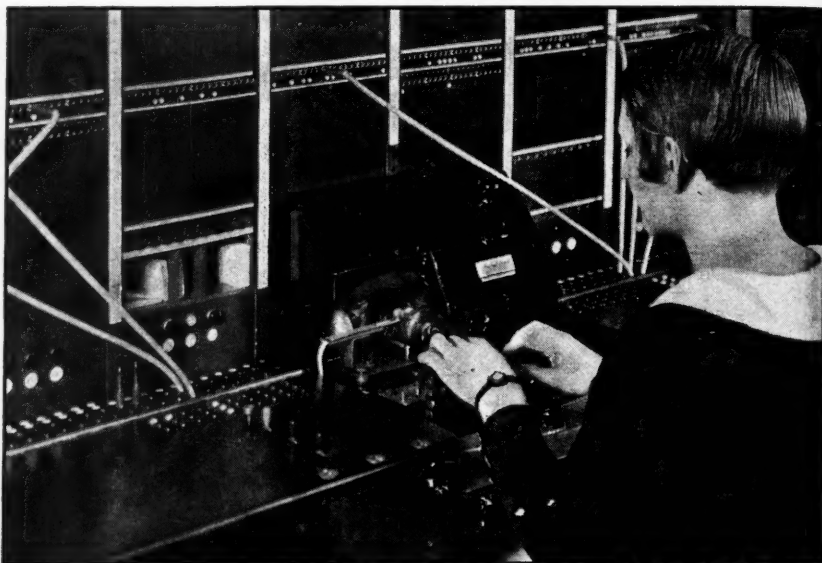
IT LIES WITHIN the range of the memories of most of us when it was a mark of affluence to have a home telephone. Now, one out of every six inhabitants in the United States has his telephone service—a total of nearly 20,000,000, involving 30 billion messages a year. Each person in the United States averages 226 telephone calls a year. Telegrams total 215,000,000 per year.

The timed wire service, put at the disposal of the commercial user of the telegraph right in the midst of the business slump, was an important development. This service, limited to users of the telegraph who have sufficient volume to justify the installation of an automatic telegraph printer in their place of business, placed telegraphic service on a time basis, rather than on a word basis. Timed wire service enables the sender of a telegram to send a message for three minutes or more at the cost of sending two ten-word fast messages between the same points. Beyond the first three minutes, the charge is one-third the initial charge for each minute or fraction. By this means approximately 100 words may be sent for the price of two ten-word telegrams.

Telephone services have been more and more designed to render service to business. It is no longer necessary for the sales manager to bring his district managers to the home office for conference. The modern sales manager calls his local telephone office and says, "Next Wednesday, I want to talk to these numbers in Indianapolis, Cincinnati, Cleveland, St. Louis, Louisville, Kansas City, Buffalo, and Minneapolis. I want the hook-up so arranged that each party can hear and talk with every party in the conference." He then writes the district managers to expect a call from the home office on Wednesday to discuss some certain topic. Thus a conference is arranged, saving time, traveling expense.

The growth of the use of the teletypewriter for instant transmission of written messages has been one of the outstanding developments in the field of communication during the past few years. For sending all types of messages between points located 300 feet or 3000 miles away, the teletypewriter's success has been noteworthy. It is used by factories to transmit orders from the office to the plant; by department stores to communicate between stores and warehouses, sales and credit departments.

The teletypewriter, originally manufactured and installed by a private company, is a part of the American Telephone and Telegraph Company. Its most recent development is the national hook-up of all teletypewriter subscribers,



Photograph from the American Telephone & Telegraph Co.

TELETYPEWRITER service provides two-way typewritten communication between subscribers.

whereby any subscriber may be connected through a "central" to any other teletypewriter in the country. The charge for this service, like a long distance telephone call, is based on time and distance.

Telephoto service has been used by the press for nearly five years, but today it is possible for the engineering company in one location to send a photograph of a blueprint across the continent.

With these brief glimpses into some of the available communication services between cities and between nations, what are the methods available for intra-plant communication? Here, again, the telephone and the teletypewriter assume the leading rôles. In addition to these are the systems for code calls between departments; the telautograph, whereby a hand-written message is transferred to one or more points throughout a business and is reproduced in that same handwriting; the pneumatic tube systems that rapidly transmit orders, letters, even small items of merchandise through many departments of modern business; systems for signalling a central control desk from machines in the factory.

The pneumatic tube systems have long been a favorite in many branches of business. The New York stock exchange connects its members' booths with the trading posts on the stock exchange floor by over six miles of pneumatic tubes. One life insurance company was able to eliminate nearly 300 messengers and speed their service by the use of pneumatic carriers. The New York post-office system comprises over 27 miles of tubes to distribute 10,000,000 pieces of first-class mail daily through a system of underground tubes.

One of the country's largest producers of office devices (Remington Rand Busi-

ness Service, Inc.) has collaborated with the Automatic Electric Company to achieve bookkeeping by wire. Primarily devised for department store accounting, this device has its applications for stock room control, production control, etc. The method combines the use of mechanical tabulating machines with automatic remote control to coordinate instantly all detail operations.

Poison Gas

POISON gas and its abolition are under keen discussion at the Geneva disarmament conference. Used as early as 429 B.C. by the Spartans at the siege of Plataea, it reappeared on the ill-fated Western Front in 1915. Chia-Lin Shao discusses gas warfare in the *China Critic* of Shanghai, as follows:

"All poisonous gases are divided into two main classes: the persistent gases, those gases which upon dispersal remain for hours and days in the field with continued action, such as mustard gas; the non-persistent gases, those gases, which upon dispersal, quickly lose their effectiveness by diffusion and mingling with the air, such as chlorine, phosgene, chloropicrin, etc. War gases are sometimes graded according to the physiological effect that they produce upon the human organism. The asphyxiating substance such as chlorine and phosgene, causes death by producing congestions of the pulmonary system, thus resulting in suffocation. Chloropicrin, aside from being a lung irritant, possesses lachrymatory properties and is better known as a 'vomiting gas.'"

"Some twenty-five different gases were used during the World War and new ones have been evolved ever since the war."

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Bars, Plates, Shapes, Special and Semi-Finished Products

NATIONAL TUBE COMPANY, Pittsburgh

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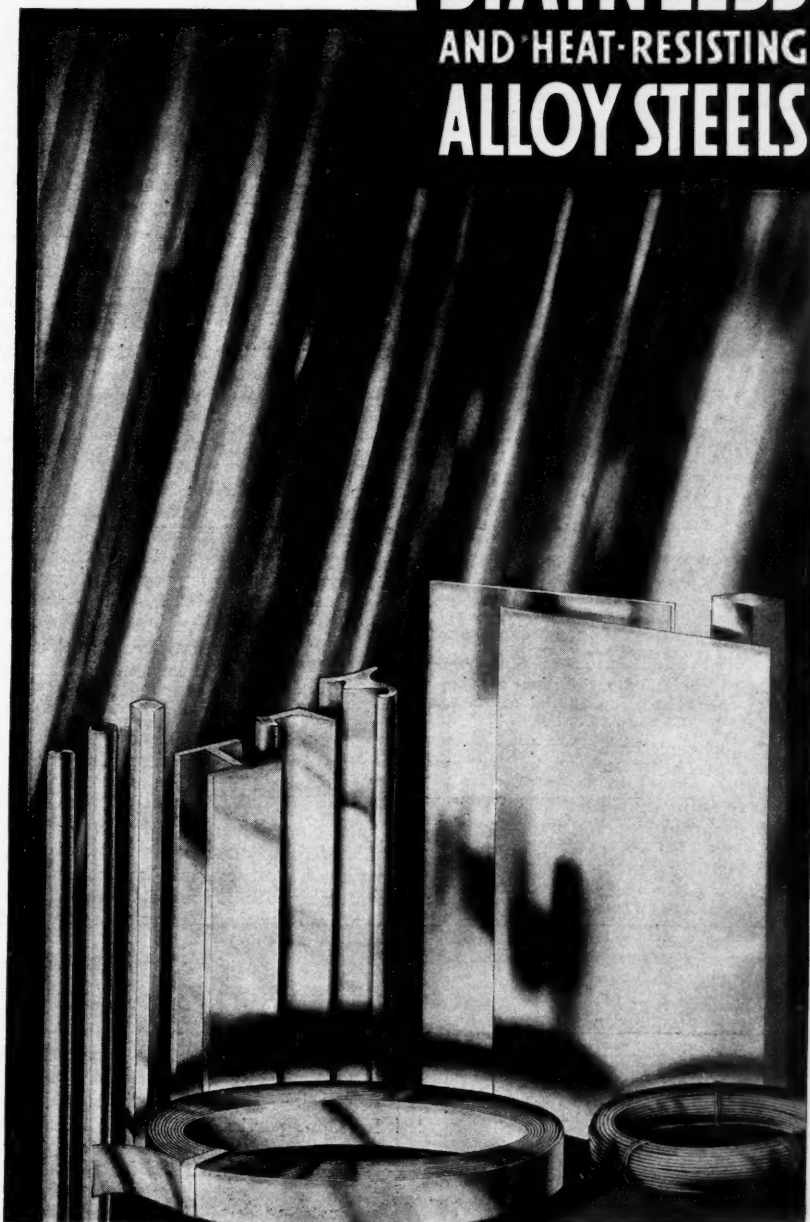
Pacific Coast Distributors:

COLUMBIA STEEL COMPANY, San Francisco

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The following factors indicate a definite and profitable opportunity for a motorboat manufacturer in Oshkosh, Wisconsin:

1. The unique facilities for motorboating provided by Lake Winnebago—the largest fresh water lake wholly within the boundaries of any state.
2. Direct and convenient access to the Great Lakes and to navigable streams and lakes directly connected with Lake Winnebago.
3. Convenience and accessibility to the largest "small lake region" in the United States: Wisconsin and Minnesota.
4. Unusual and favorable commodity rates and shipping schedules over the railroads serving Oshkosh.
5. Location with respect to raw materials, so that there is no backtracking on supplies or finished product.
6. A large market of the most motorboat-minded public in the United States.
7. Finally, because of current plans which will lead to a great increase in the number of motorboat owners in this zone.

Cooperation of an unusual character is available, and facts will be supplied immediately upon application to

C. W. HOYT, President
Oshkosh Chamber of Commerce
OSHKOSH, WISCONSIN

OPPORTUNITY for MANUFACTURER of CONFECTIONERY

To a manufacturer of highgrade confectionery, Barron County offers an excellent opportunity—

1. To capitalize a location at the source of the finest milk and cream in the middle west.
2. To benefit by the consistent and steady improvement which has taken place in Barron County's dairy herds, resources and products.
3. To capitalize Barron County's national reputation for producing the best in dairy products.
4. To serve an accessible market which, while consuming nearly five hundred million pounds of candy per annum, buys 85% of it from manufacturers located outside of the middle west.

Further data and cooperation may be secured by addressing the

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RICE LAKE, BARRON CO.
WISCONSIN

—and if you like to golf, fish, swim, ride, sail, hike or loaf this district will appeal to you immediately and permanently. Attractive folder will be forwarded on request.

COMMUNITY AND INDUSTRIAL DEVELOPMENT

The Small Town

Can It Develop Industrially?

By WALTER W. PACE

THE QUESTION of industrial development is occupying the attention of cities and towns, large and small, to an extent probably unequalled in our industrial history. The reasons for this are many, and apparent to any student of the situation.

Our larger cities are gravely concerned by the growing inclination on the part of industries to move into less congested districts. There they will be closer to sources of supply; labor difficulties will be less pronounced; housing conditions are more satisfactory; living is cheaper; distribution may be more or less centralized; and, in a word, productive operations can be carried on at a minimum of cost and difficulty.

The smaller towns are gradually coming to realize that the long-talked-of decentralization of industry is becoming a reality, and they are striving diligently to find ways and means for presenting their advantages to industries contemplating a move.

These smaller towns are somewhat handicapped, however, by lack of knowledge of what their advantages may be; by inability to reach their prospects; and by lack of funds to advertise their advantages to the people they seek.

Many of them are adopting waiting tactics—waiting for a time when business may improve to such an extent that money may be more easily raised to carry on campaigns that should now be in progress.

Under existing conditions it takes courage for any community to embark upon a campaign of industrial promotion. But it would appear that those towns and cities which have the courage of their convictions, and which actually have definite advantages to offer certain types of industry, will be the ones that will gain and maintain a tremendous advantage over the towns which are "waiting and hoping."

In times like these, when business executives have an opportunity to analyze their problems thoroughly, it is only natural to presume that they have the time and the inclination to consider the possibilities of operating on a more profitable and satisfactory basis in some location particularly fitted to support their activities.

During the so-called inflation period, the question of proper location received little consideration from industry in general. It was possible to manufacture and

sell at a profit in almost any location, under almost any conditions. But production during the next several years, at least, must be accomplished under most favorable conditions and in most economical ways; and the manufacturer who overlooks this necessity will find that his competitor, alive to the situation, is in a position to produce at a figure which he cannot meet.

It is this very condition that is opening the door of opportunity, from an industrial standpoint, to the smaller towns and cities of the country, and even now many towns are making careful surveys with a view to determining their advantages and correcting any possible disadvantages.

These towns and cities are placing themselves in the position where they will be able to present to industry a businesslike and substantial analysis of the local situation. Moreover, they are taking steps to place this information before industries which their local surveys indicate belong profitably in that particular location.

Constructive effort of this type is particularly evident in Wisconsin, where Fond du Lac has enlisted the enthusiastic support of its business men for the purpose of definitely and intelligently exploiting the city's many advantages from an industrial and tourist standpoint.

A little farther north we find Oshkosh, one of the larger industrial centers of the state, marshalling its forces for a similar campaign.

Stevens Point, too, is preparing to embark upon a campaign of industrial development.

And in the rich dairying district is the town of Rice Lake, with its five thousand people, convinced that their modern little city offers exceptional opportunities for industries related to dairying.

There are other Wisconsin cities and regions that are today submitting to a self-analysis they hope will lead to a profitable future industrial development.

It is conceded that Wisconsin occupies an enviable position in that it has not been so seriously affected by the depression as most other states. But the towns and cities of states east of the Mississippi might well follow the example of Wisconsin, for it is reasonable to believe that the aggressive, intelligent, and constructive optimism of these Wisconsin communities will result in an industrial revival of pleasing proportions.

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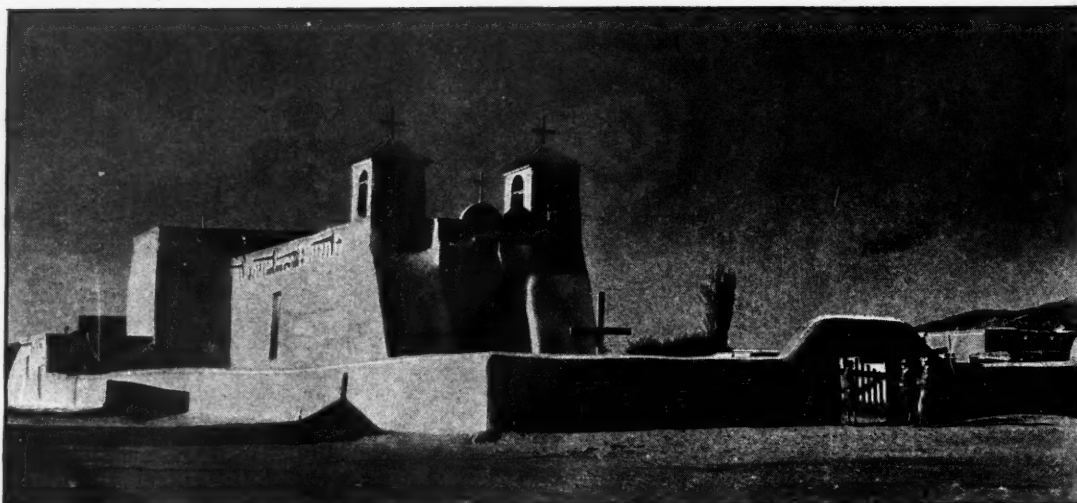
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THE OLD Mission Church at Rancho de Taos, New Mexico, dates from 1772.

The Southwest: Land of Contrast

By HARRISON DOTY

ONE WORD, *contrast*, in many respects sums up the hold the American Southwest has over those who have been there. It is the contrast of jagged mountain ranges, and far horizons beyond miles of flat desert; of hustling cities, and an isolated sun-baked adobe hut, against whose shaded wall leans a drowsy Mexican, cigarette in mouth, straw sombrero over his eyes; of waste lands supporting only scrawny cacti, and of lush greenlands; of complete indifference to change or progress, and unlimited desire to turn these barren places into productive acres.

Perhaps no place better serves as an example of progress over natural difficulties than the region on the Texas side of the lower Rio Grande. Thirty years ago this area knew only waste growth of the desert. Today the mesquite brush has given way to citrus orchards; the cacti to vegetables and cotton. Where towns were, now there are cities; where no life was, now there are towns. Here, as throughout all the Southwest, the change has been brought about by two things: transportation and irrigation.

Trains have conquered the bleak distances and brought men who have sent away the products wrung from the ancient alluvial soil. Yet neither men nor soil could have won this harvest without water. Irrigation, drawn from the Rio Grande itself, has spread life over what was once desolate and forsaken.

In the Brownsville region, heart of this newly rich district, there is the river to be called on for water supply. In other parts of Texas, and through neighboring states, natural springs, artesian wells, rain, small streams—all are forced to let their flows be hoarded behind clay walls or great mason works, such as Arizona's Roosevelt dam. From these carefully

guarded supplies there spread over the surrounding country many canals through which the water flows, or is perhaps pumped, when needed. It has been hard to bring irrigation to its present development. The success already won from a reluctant soil speaks eloquently for the determination of those who visioned this land, favored by a year-round warm climate, potentially rich.

Their ambition contrasts with the indifferent life of the isolated communities of Mexicans who, with no thought for the future, eke out a meager day-by-day existence. Sometimes, along a railroad or a highway, these groups of three or four houses can be seen. Many are visited only by an occasional cowboy riding range. The one-room houses, the same color as the earth from which the sun-baked walls are scraped, stand near a small water hole. There is little activity or movement. A lean cow hunts sparse blades of food. A mangy dog or two lie close to the shaded side of the tan clay house. A few children and a man loiter at the door. A woman is sweeping the hard dirt floor, or is hunched over a heavily spiced bean soup. Strips of dried meat hang from hooks on an outer wall, just out of reach of the coyotes. Occasionally the whole family will ride to the nearest town to sell a load of wood, cut from straggling mesquite brush, or with a bundle of dried, long red peppers, miraculously grown where apparently nothing edible could grow. From year to year there is no change.

Many people dislike the desert on the ground that it is monotonous. Others like it for that very reason: because there is a fascination in bleak miles. But in spring the drab cactus plants blossom and the desert takes on a new

aspect. Then each of the fibrous cacti—whether it is melon shaped, or thrusts reed-like stalks crazily away from its base, or is the twenty-foot organ type—has its yellow, red, or white flowers. The spring blossoming seems to be the supreme effort of these barbed growths. During the rest of the year they grow imperceptibly, almost unmoving even in high winds.

EACH SOUTHWESTERN STATE has unforgettable scenery. Arizona has the Grand Canyon with its bizzarely colored walls and deep chasms cut by the Colorado River as for countless centuries it has torn through the northern part of the state on its way to the Gulf of California. Nearby is the Petrified Forest, where lie tree trunks turned to stone. New Mexico has its Carlsbad Caverns. Here for miles one passes through underground caverns of cathedral dimensions. From the roof hang stalactites; jutting toward them from the floor are stalagmites. The stalactites are formed by water as it drips away from the cave roof, leaving behind some of the mineral content of each drop. Stalagmites form where the drop hits the floor, depositing the remaining mineral and building an up-reaching column sometimes forty feet high. Winter or summer, the temperature of the caverns never varies from 56 degrees Fahrenheit. Utah has its Zion and Bryce Canyons, as staggering in coloring and formation as the more famous Grand Canyon.

Texas is proud of Dallas and Fort Worth, San Antonio and Houston, and El Paso—all thriving cities of the new empire. New Mexico boasts centers of the old Spanish and Indian cultures: Albuquerque, Santa Fe, and Taos. Arizona

has Phoenix and Tucson. Phoenix, the capital, is the center of a region where, as in Brownsville, irrigation has developed a productive soil. Tucson, fifty miles from the Mexican border and Nogales, is more in and of the desert. It has the state university, opened in 1891, because Phoenix, to whom was given the choice of having one of the two institutions, chose the state insane asylum.

One of the West's newest businesses, dude ranching, centers in Arizona and New Mexico. Many of the old cattle ranches have added guest quarters; many new ranches have been opened expressly to accommodate guests. To these ranches, usually between fifteen and fifty miles from the railroad station where ranch cars meet newcomers, easterners go for complete relief from the exhausting life they know. They find exercise, leisure, pleasant contacts, exhilarating air and invigorating sunshine even in mid-winter, and a glimpse into the life of the old West. Riding is the chief occupation, either on nearby trails or, when the rider is proficient enough, out on the range with the cowboys. From every ranch there are interesting horseback trips of varying length to be taken. Lazy hours are spent in the patios, cool green rectangles, open to the blue sky, about which the ranch house is built.

West of Arizona, beyond Death Valley and across the Mojave Desert, is California. Here is contrast again. In place of arid desert, the Pacific. In place of small—but thriving—cities, tremendous Los Angeles. Mountains dropping away to the sea. Sandy beaches rather than sandy desert. A wealth of vegetation instead of occasional greenness. Moist air instead of air from which the mountains have drawn the rain. Like the inland Southwest, Southern California can only be known by actual visit. Like Arizona, New Mexico, and Texas, it is worth knowing well.

Panama for Travelers

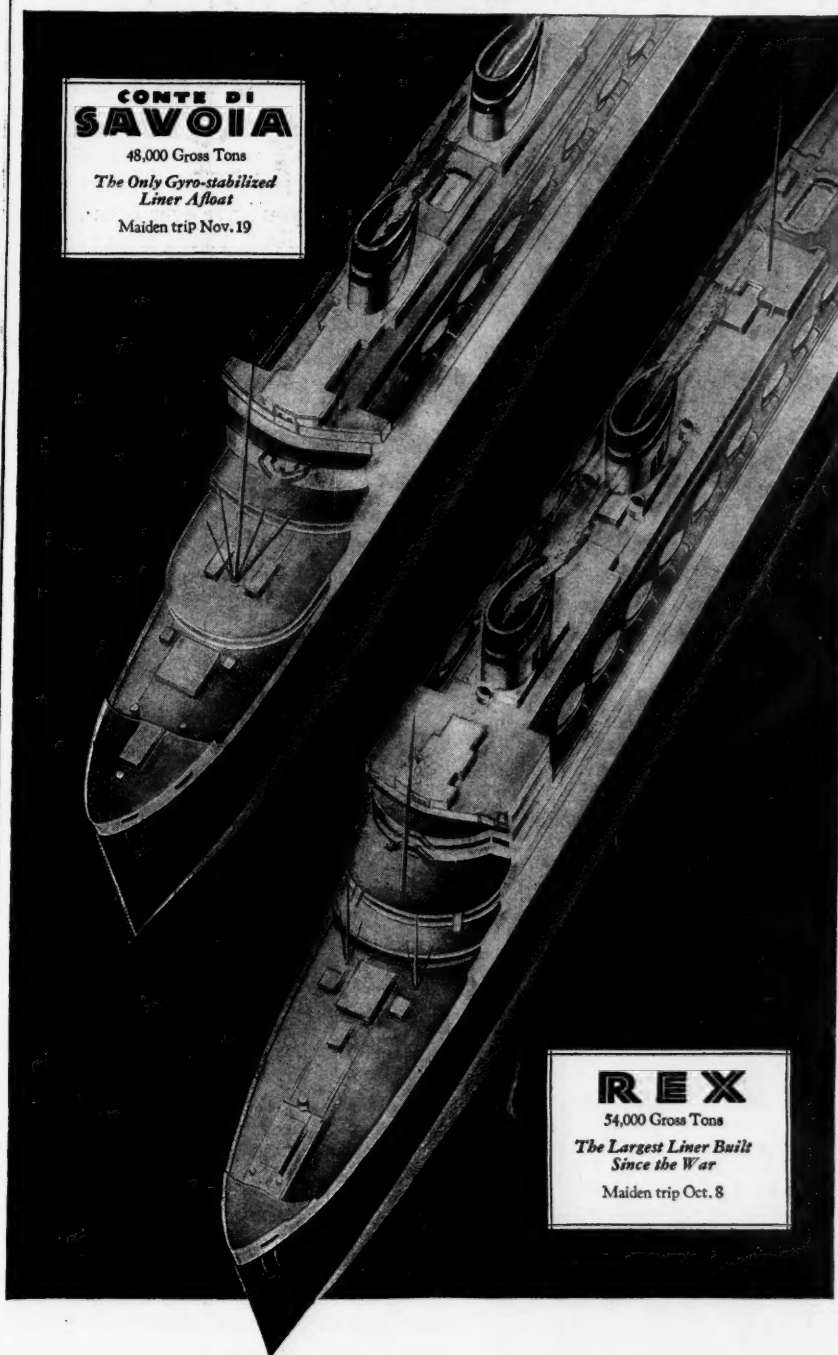
PUBLICITY HAS MADE thousands of travelers want to go to Bermuda and Hawaii. Herbert H. Hilscher sees the Panama Canal Zone as another tourist Mecca, and in the July *Western Advertising*, by way of exhorting the travel companies to develop the Zone's possibilities, he writes intriguingly of this little known but fascinating district:

"On a recent trip I made from New York to California via the Canal, more than half of the passengers on our ship remained aboard the liner at both Cristobal and Balboa simply because Panama has not been made sufficiently interesting for them to want to go ashore. They had no idea of what there is to see in those romantic cities.

"Before long, someone will cash in on the 500 years of romantic background in Panama. Christopher Columbus, Balboa, the Conquistadores, the pirate Morgan, the visionary De Lesseps and our own Goethals will be the personnel of a real publicity and advertising department.

Continued on page 62

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For these Statler maids are deft... and for a reason. *They're taught!* They have a routine to follow that eliminates all waste motion and insures every job being done. It puts order in their work of picking up papers, making beds, running the vacuum cleaner, dusting, and replacing soiled towels and used soap.

Let's look in a room. Here is one where the maid is about to make the bed. See, she turns the inner-spring hair mattress, adjusts it on the deep box springs, smooths out the mattress protector, spreads the quilted pad. Then she puts on the sheets—snowy, white sheets that smell so clean and fresh. Then the soft blankets. She fluffs the down pillows and covers the immaculate inner slips with outer cases and lays them in their place. Now she takes the spread and covers all, tucks all in, gives the bed a final pat or two, and steps back to survey her work.

She's proud of that bed. She knows how good a bed it is and how pleasant it's going to feel because she's made it well. She takes *such* prideful interest in all her humble tasks. Her bathrooms must sparkle, her mirrors shine. For she's an inborn housekeeper and realizes that it's her job to make you enthusiastic over the cleanliness and comfort of your Statler room.

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Panama Travel

Continued from page 61

And when these famous figures of history get their thrilling stories of Panama across to the traveling public, the annual number of visitors to the Isthmus will pass the half-million mark.

"Even in this blasé age, there are still several million Americans to whom adventure off the beaten path appeals—and Panama is full of it! Less than a hundred miles from the Canal Zone is a mysterious race of pigmies, the San Blas Indians, who wear gold nose-rings, bind their ankles, and live as primitively on their isolated islands as they did a thousand years ago. They actually use poison bows and arrows to hunt with, but they seem to regard the occasional aviator visitor as an unexplainable but friendly bird out of the sky. Thirty miles from Panama City on the Bayana River are crocodiles enough to satisfy all the sportsmen in the world. Yet who knows of these places? The forests of Panama are full of wild life and there are no game laws on the statute books.

"The Pearl Islands, dramatized by Zane Grey as the finest fishing grounds in the world, are just off the western entrance of the Canal in the Pacific.

"There are innumerable fascinating trips radiating from the Canal. In less than half an hour's time by plane you can stand on the ground where Columbus first set foot on the North American continent. At Puerto Bello stands the old Spanish fortress with the original cannons bearing the crest of Spain. None of this historical background has been dramatized or capitalized. . . .

"The Panamanian business man has overlooked the romantic ruins of the Old City. The Cathedral of the Golden Altar, Morgan's Bridge, the legends of the early days are not appreciated. The famous Flat Arch of the Dominican ruins—which would be a major tourist attraction in any other country—looks down on a rubbish pile in someone's back yard. One of the most picturesque parts of Panama City is the Negro section with its balconied houses and hanging lamps and colorful inhabitants. But few have discovered its quaintness.

"The history of the Panama Canal itself is a thrilling story, starting with the surveys made by Charles V of Spain. But not two in a hundred who sail across America's backbone are in the least conversant with its details. The operation of the Locks is an enigma to most; in fact the trip from ocean to ocean is so little understood that the followers of Culbertson and Lenz are busy before Gatun Locks have been left behind.

"If Panama would tell the travel-minded public of the wonders of the Canal, the simple romantic story of this great achievement, and give some of the drama it possesses, arrange convenient facilities to take care of tourists, travelers would push toward Panama by the shipload. Today, passenger liners are actually passing through the Canal without stopping at either Atlantic or Pacific ports! Why? And business at Panama is doing nothing about it."

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The FINANCIAL WORLD

America's Investment and Business Weekly
53-RV Park Place New York

The Racketeer's Army of "Punks"

(Continued from page 34)

a bad man. I stole Eddie Cudahy. I am Pat Crowe. I got religion and I want to make amends before I die for the bad I did. I am old. You are young. You can help me pay the debt I owe before I go."

That was a good sign. In 1924 law was still popular enough so that a lawbreaker wanted to make amends. That racketeer, like most before him who remained alive, got religion, especially if one got rich, as he put it.

The man is not well advised who, because of the costs involved, objects to far-reaching action to get the untrained youth out of the cities, where there are neither sufficient economical training facilities nor work to be done.

Misfits cost our energetic and hard-working individuals at least a dollar a day each, or \$2,000,000,000 per year, when not in jail. They cost \$10,000,000,000 more each year for the time they are being arrested, tried, convicted, sentenced, kept in prison, and discharged. The ten billion was paid through taxes, the two billion was paid in gifts.

A well known business man told the writer recently that he has checked up what he paid in taxes against what he paid gangsters and racketeers since the war. He finds that taxes are to graft as \$250 yearly is to \$1,500. Unless taxes, graft, and interest are cut down, he is satisfied the big cities can no longer compete with the small towns and country districts which have industrial manufacturing and processing plants. That intelligent man is willing to give government reasonable time to put its house in order; but he tells me that he will commit suicide—as some of his friends and mine have already done—if he can see no chance to defeat racketeering in business and in government. He will gladly help pay the cost in money, and especially in courage, of a sustained war upon racketeers both high and low.

If seven or eight million people must leave the cities for the country in order to live properly, then there should be no difficulty in using the police powers to send the misfits to the country under supervision. The older people should be colonized much as they have been in Belgium during the past thirty years. Freedom to beg, pander, half starve, and to be chronically ill in the cities is a freedom not worth having. The regulated freedom of the social colonies of Belgium, where a man makes all or part of his own living, is real freedom.

The writer belongs, by experience and training, to a considerable group who would not hesitate to organize and administer such a scheme of training. The hard part is to awaken people to the possibilities of such a scheme, if applied sensibly and effectively.

Racketeers without "punks" would no longer be racketeers. But racketeers favored by a continuance of anti-trust and liquor laws, and by failure to divert the "punks" in our cities, may be our dictators of tomorrow.



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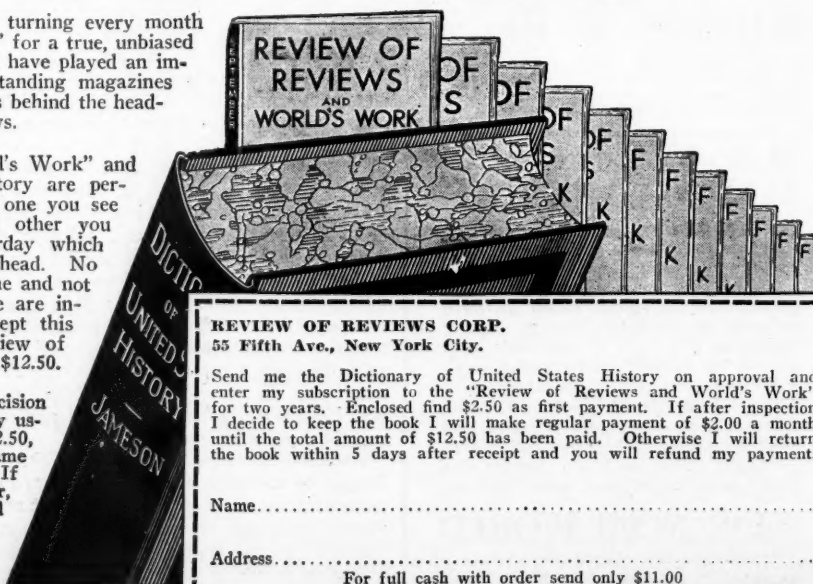
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